

# Office of General Services

*A report to the Congress by the Commission on  
Organization of the Executive Branch of  
the Government, February 1949*

-2 APR 1957

The Commission on Organization of The  
Executive Branch of the Government

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## Letter of Transmittal

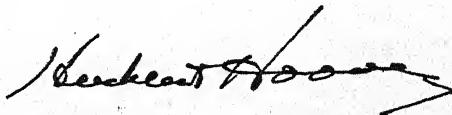
WASHINGTON, D. C.,

12 February 1949.

DEAR SIRS: In accordance with Public Law 162, Eightieth Congress, approved July 7, 1947, the Commission on Organization of the Executive Branch of the Government submits herewith its report on the Office of General Services, and separately, as Appendix C, the task force report on Records Management, which is relative to this report.

The Commission wishes to express its appreciation for the work of its task forces and for the cooperation of officials of the various departments and agencies concerned.

Respectfully,



Chairman.

*The Honorable*

*The President of the Senate*

*The Honorable*

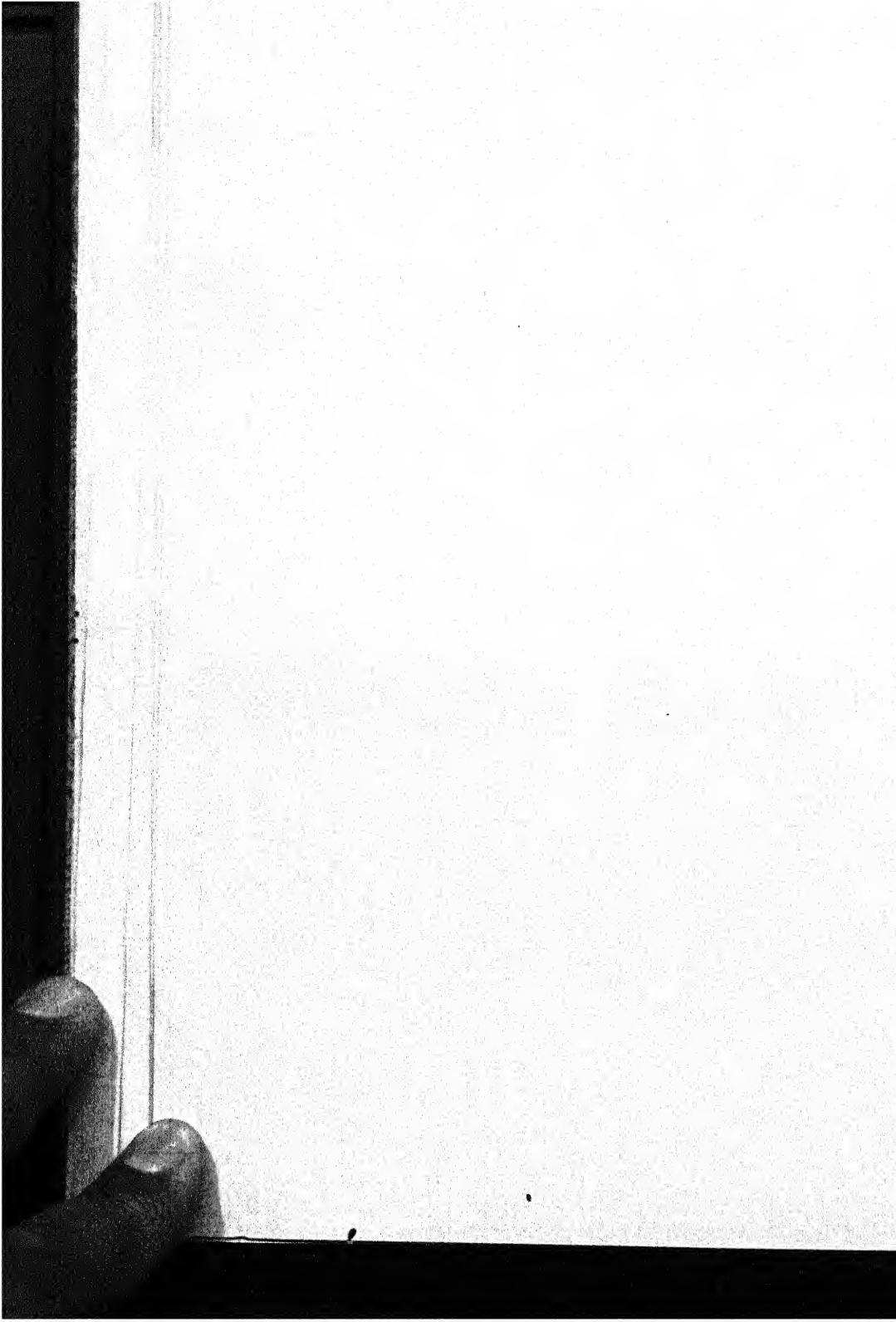
*The Speaker of The House of Representatives*



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(v)



## An Office of General Services

Three major internal activities of the Federal Government now suffer from a lack of central direction. These are Supply, Records Management, and the Operation and Maintenance of Public Buildings. These activities are carried on in several places within the executive branch with varying degrees of adequacy. While, as a general rule, centralized direction is lacking, there are some instances of the exact reverse of this situation in which operations are centrally controlled down to the smallest detail.

To the general public, the "housekeeping" activities listed above are little-known, but unless they are properly administered, the executive branch cannot be effectively managed. Moreover, huge sums are spent on these activities. Rents and utility services have cost in the neighborhood of \$200,000,000 in each recent year. Civilian supply purchases alone total an estimated \$900,000,000 per year, and this is exclusive of such large items as transportation of property and storage or handling costs.

Since these activities relate to all departments, there is only one place in the executive branch of the Government where authority should be vested. That is in the President, subject, of course, to appropriate legislative directions. Yet obviously the President personally cannot exercise this responsibility except in most unusual circumstances.

The principal issue affecting service activities is: How much of any such activity shall be centralized and how much shall be performed by the individual executive departments and agencies?

Undoubtedly, some housekeeping services must be performed centrally in order to avoid waste. On the other hand there is frequently too much centralization. In a large-scale effort like the Federal Government, too high a degree of centralization of services may result merely in congestion, red tape, and inefficiency. When highly specialized equipment must be purchased by a single agency only for its own use, for example, it is more reasonable and efficient for it to develop the specifications, negotiate the purchase contract, and inspect the delivered goods.

Two important questions about these housekeeping services must be determined.

*First.* Who shall decide what part of any service shall be centralized and what part shall be left to individual operating agencies?

*Second.* Who shall supervise the centralized services to make certain that they perform their work satisfactorily?

#### *Recommendation No. 1*

The Commission recommends that responsibility for these three internal service operations should be placed in an Office of General Services under a director appointed by the President.

The Office of General Services should be given authority, subject to the direction of the President, to prescribe regulations governing the conduct of these three activities by departments and agencies of the executive branch. However, the Office of General Services should, to the greatest extent possible, delegate responsibility for exercising these three functions to the departments and agencies.

In addition to these internal service operations, there are certain miscellaneous activities, primarily centered in and about the District of Columbia, which either report directly to the President or report to no one. These include the District of Columbia Government, the Smithsonian Institution, the National Capital Park and Planning Commission, the National Capital Housing Authority, and the Commission of Fine Arts. These activities have numerous relations with the executive branch; and there has never been anyone—other than the President—who has been responsible for handling their problems or for giving them such supervision as may be required under the law.

*Recommendation No. 2*

The Commission recommends that the relationship between these organizations and the executive branch be centered in the Office of General Services. All of the activities named above must be coordinated or directed from some central point with responsibility upon particular persons for their performance.

# PROPOSED

THE  
PRESIDENT

## OFFICE OF GENERAL SERVICES

ADMINISTRATOR  
OF  
GENERAL SERVICES

FEDERAL  
SUPPLY

RECORDS  
MANAGEMENT

RELATIONS  
WITH  
INSTITUTIONS\*

PUBLIC  
BUILDINGS

\* *District of Columbia  
Smithsonian Institution  
National Park and Planning Commission  
National Capital Housing Authority  
Commission of Fine Arts*

### *Recommendation No. 3*

We recommend that the following functions, each under a director, shall be placed in the Office of General Services.<sup>1</sup>

- a. SUPPLY,
- b. RECORDS MANAGEMENT.
- c. OPERATION AND MAINTENANCE OF PUBLIC BUILDINGS,
- d. CERTAIN RELATIONS with the Smithsonian Institution, the National Parks and Planning Commission, the National Capital Housing Authority, the Commission of Fine Arts, and the District of Columbia.

(See chart, Proposed Office of General Services.)

We submit separately, the task force report on the second subject as appendix "C".

The Commission's detailed recommendations on supply summarized below are filed in a separate report.

### **Supply**

It is proposed, as discussed in our accompanying report, that the supply bureau in the Office of General Services be developed primarily, although not exclusively, for policy-making and coordination of the procurement of supplies and other supply functions for the executive departments.

It would assign responsibility for the purchase and storage of commodities peculiar to the use of an agency to the agency best suited to make such purchases or to store such commod-

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<sup>1</sup> DISSENT: Commissioners Herbert Hoover and Arthur Flemming have recommended (in our report on Budgeting and Accounting) that the Statistical and Publications units now in the Office of the Budget should be placed in the Office of General Services for reasons which they state in that report.

ties. It would also designate certain agencies to purchase specified supplies for all agencies and it would award contracts to vendors for common-use items. These contracts would be utilized by all agencies in the purchase of such items. The bureau would handle the purchase for small agencies when economical to do so. It would assure systematic handling and fundamental standards, and its objective would be to decentralize activities into the different departments, agencies and field office regions.

Civilian and military supply activities would be coordinated through a Supply Policy Committee.

#### *Recommendation No. 4*

The Commission recommends that a central Bureau of Federal Supply be created in the Office of General Services and that the Federal Bureau of Supply in the Treasury be abolished.

#### **Records Management**

The maintenance of records costs the Federal Government enormous sums annually. The records now in existence would fill approximately six buildings each the size of the Pentagon. (See chart, Two Decades of Federal Records Accumulation.)

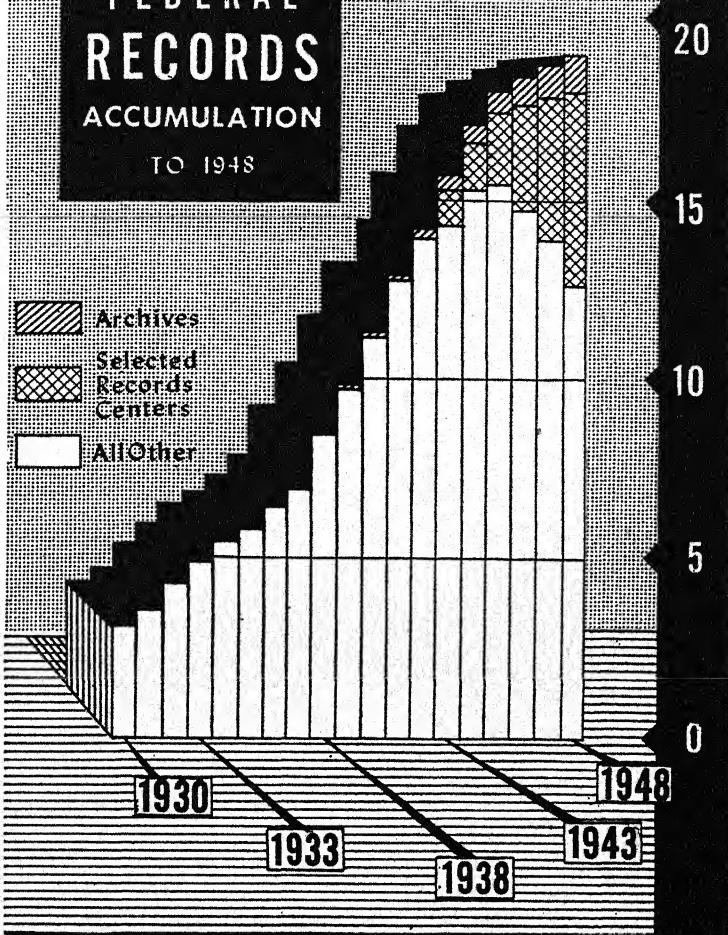
In 1948, some 18 million square feet of space were filled with records. Our task force estimates that, on the basis of rental value alone, the space costs for this volume of records

TWO DECADES OF

FEDERAL  
RECORDS  
ACCUMULATION

TO 1948

MILLIONS OF CUBIC FEET



is at least 20 million dollars annually. The filing equipment for handling these papers would be worth 154 million dollars at current prices.

A new central records service is needed to consolidate and reduce the records centers which various Government agencies now operate, and to direct the work of these regional records centers along with that of the National Archives in Washington.

More detailed recommendations to accomplish improved records management have been submitted by our task force. The task force report estimates that probably 50 percent of the total records of the average Government agency can be eliminated from the main office with a substantial savings of personnel, plant, equipment, and space. Every time the contents of one file cabinet are transferred to a records center, the Government can save approximately \$27 a year in office cost. (See chart, How Records Center Would Save Money.)

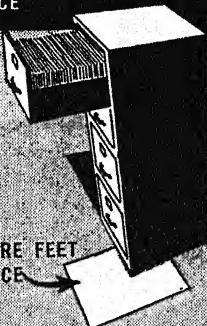
#### *Recommendation No. 5*

We recommend:

- a. The creation of a Records Management Bureau in the Office of General Services, to include the National Archives.
- b. Enactment of a new Federal Records Management Law to provide for the more effective preservation, management, and disposal of Government records.
- c. Establishment of an adequate records management program in each department and agency.

# HOW A RECORDS CENTER SAVES MONEY

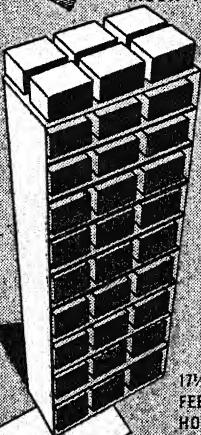
CONTENTS OF  
FILE CABINET IN  
OFFICE



6 SQUARE FEET  
OF SPACE

TRANSFERRED TO  
RECORDS CENTER

OCCUPIES  $\frac{3}{10}$  AS  
MUCH FLOOR SPACE



17 $\frac{1}{2}$  SQUARE  
FEET OF SPACE  
HOLDS CONTENTS  
OF 10 FILE  
CABINETS

1 File Cabinet @ \$50.00	
(Amortized 10 yrs) - - -	\$5.00
6 sq. ft. of Space @ \$2.50 per sq. ft.	\$15.00
Overhead and Maintenance	
for 6 sq. ft. @ \$1.50 per sq. ft.	\$9.00

**TOTAL COST  
\$29.00  
IN OFFICE SPACE**

**SAVED \$26.85 YEARLY**

Every time the contents of a File Cabinet are transferred to a RECORDS CENTER

$\frac{1}{10}$ Steel Stack Section @ \$32.00 = \$3.20	
(Amortized 10 yrs) - - -	\$0.32
6 Cardboard Cartons @ \$0.15 = \$0.90	
(Amortized 10 yrs) - - -	\$0.09
$\frac{1}{10}$ of 17.5 sq. ft. of Space @ \$0.50 per sq. ft.	\$0.87
Overhead and Maintenance	
- for $\frac{1}{10}$ of 17.5 sq. ft. @ \$0.50 per sq. ft. -	\$0.87

**TOTAL COST \$2.15  
IN RECORDS CENTER**

## Operation and Maintenance of Public Buildings

Maintenance of buildings, allotment of space, and moving service in the District of Columbia and in some selected cities would be the responsibility of the third bureau in the Office of the General Services. Its work thus relates to all departments and agencies. It has the management of over 54 million gross square feet of Government-owned space and over 6 million gross square feet of leased space, of which 24 million square feet are outside the District of Columbia.

It is not proposed that space allotment in the Post Offices and the National Military Establishment should be made by this agency although servicing by this agency of the buildings occupied by the Post Office and the Military Establishment is desirable. In any event, close cooperative arrangements should be established between this agency, the Post Office Department, and the National Military Establishment.

It is essential in these matters that authority be expanded and that there be a central agency (*a*) to prepare and issue standards of efficiency in the management of public buildings; (*b*) to supervise space allotments in Government buildings in towns where there are several large agencies (except in buildings of the National Military Establishment and the Post Office Department with which cooperative arrangements should be established);<sup>2</sup> (*c*) to maintain and operate Govern-

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<sup>2</sup>DISSENT: Commissioner Pollock is unable to agree with the restrictive wording of this section because he believes that the Public Buildings Administration should have complete control over space allocations, not merely in Washington, but throughout the country.

ment buildings; (d) to prepare standard forms of leases and deeds and maintain a record of leases and buildings owned by the Government.

#### *Recommendation No. 6*

The Commission recommends that the administration of the functions enumerated above be placed in the Office of General Services, but it expresses no opinion as to design and construction of buildings, and other functions of the Public Buildings Administration.

### Relations with Certain Institutions

#### THE DISTRICT OF COLUMBIA

Under the Constitution the Congress has authority to "exercise exclusive legislation" over the District of Columbia. The District of Columbia Government is primarily supported by its own revenues, but the Federal Government makes annual contributions to it. The Federal contribution amounted to 12 million dollars in the fiscal year 1949. The budget of the District is transmitted with the President's budget message and appropriations for it are made by the Congress. Although the executive branch does not directly supervise the District of Columbia Government, departments and agencies, and the District Government, have many mutual contacts and problems for which there is no central clearing house other than the President himself.

*Recommendation No. 7*

The Commission recommends that matters involving Presidential action be referred by the District of Columbia officials to the Director of the Office of General Services.

**THE SMITHSONIAN INSTITUTION**

The Smithsonian Institution is one of the great scientific museums and research institutions of the country. It is partly endowed and partly supported by appropriations (\$2,090,000 in 1949). The establishment has as its members the President of the United States, the Vice President, the Chief Justice, and the members of the President's Cabinet. The Institution is governed by a Board of Regents, comprised of the Vice President, the Chief Justice, three members each of the Senate and of the House of Representatives, and six citizens of the United States appointed by joint resolution of Congress. It cooperates with several Departments of the Government.

*Recommendation No. 8*

No change is proposed in the Institution, but when its officials need assistance from the Chief Executive or the departments, it is recommended that they consult with the Director of the Office of General Services.

## OTHER NATIONAL CAPITAL ACTIVITIES

The following separate agencies perform activities in the District of Columbia:

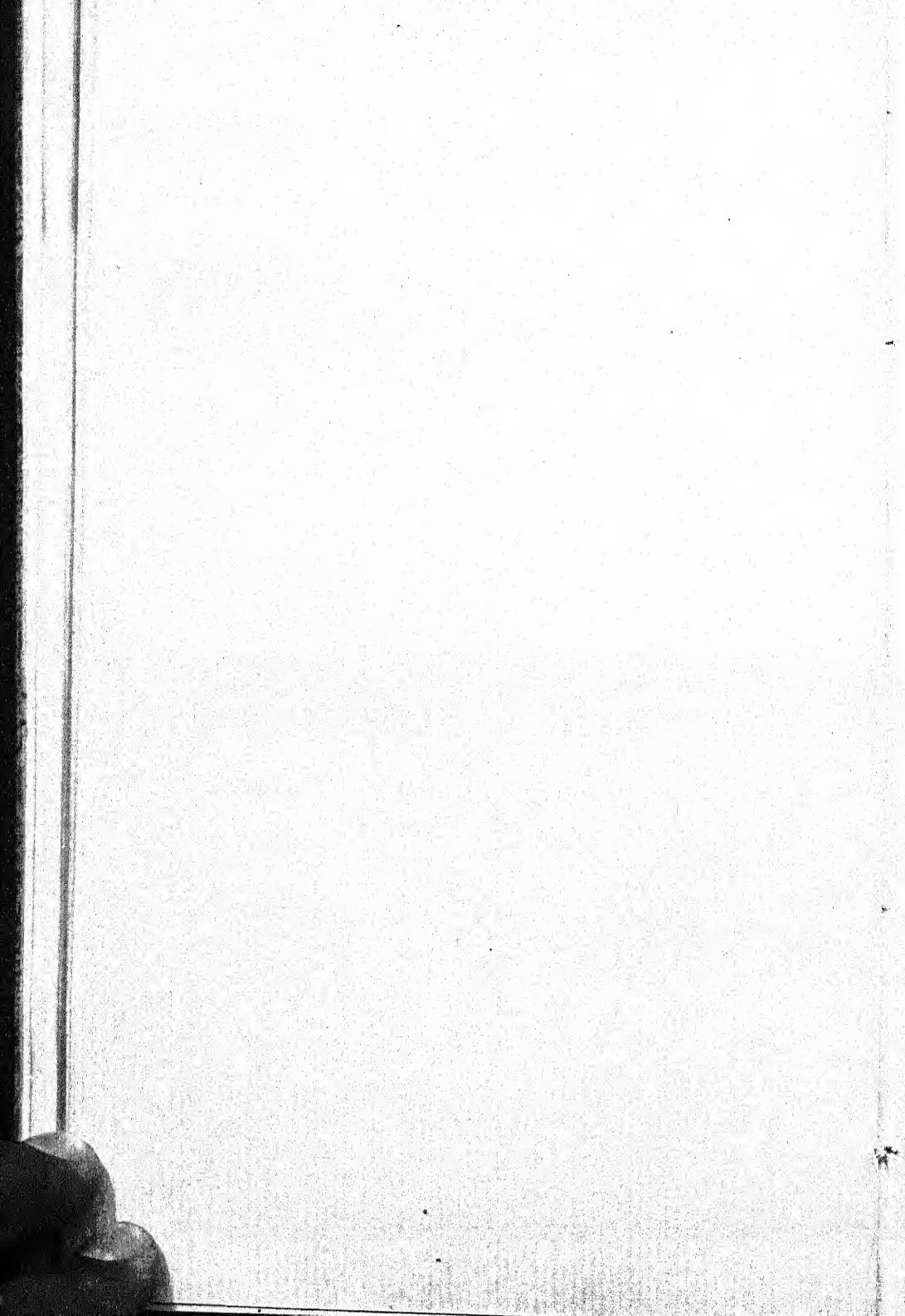
THE NATIONAL PARK AND PLANNING COMMISSION.

THE NATIONAL CAPITAL HOUSING AUTHORITY.

THE COMMISSION OF FINE ARTS.

### *Recommendation No. 9*

These agencies should report to some responsible part of the executive branch. We recommend that they should report to the Director of the Office of General Services.



## **Related Task Force Reports**

The Commission has had printed Appendix C, the task force report on Records Management.

### **Acknowledgment**

The Commission wishes to acknowledge the assistance of the following persons:

#### **RECORDS MANAGEMENT**

Undertaken by

NATIONAL RECORDS MANAGEMENT COUNCIL

Research Director

E. J. LEAHY, executive director of the Council; formerly of the National Archives and director of Records Administration, United States Navy.

#### **Consultants**

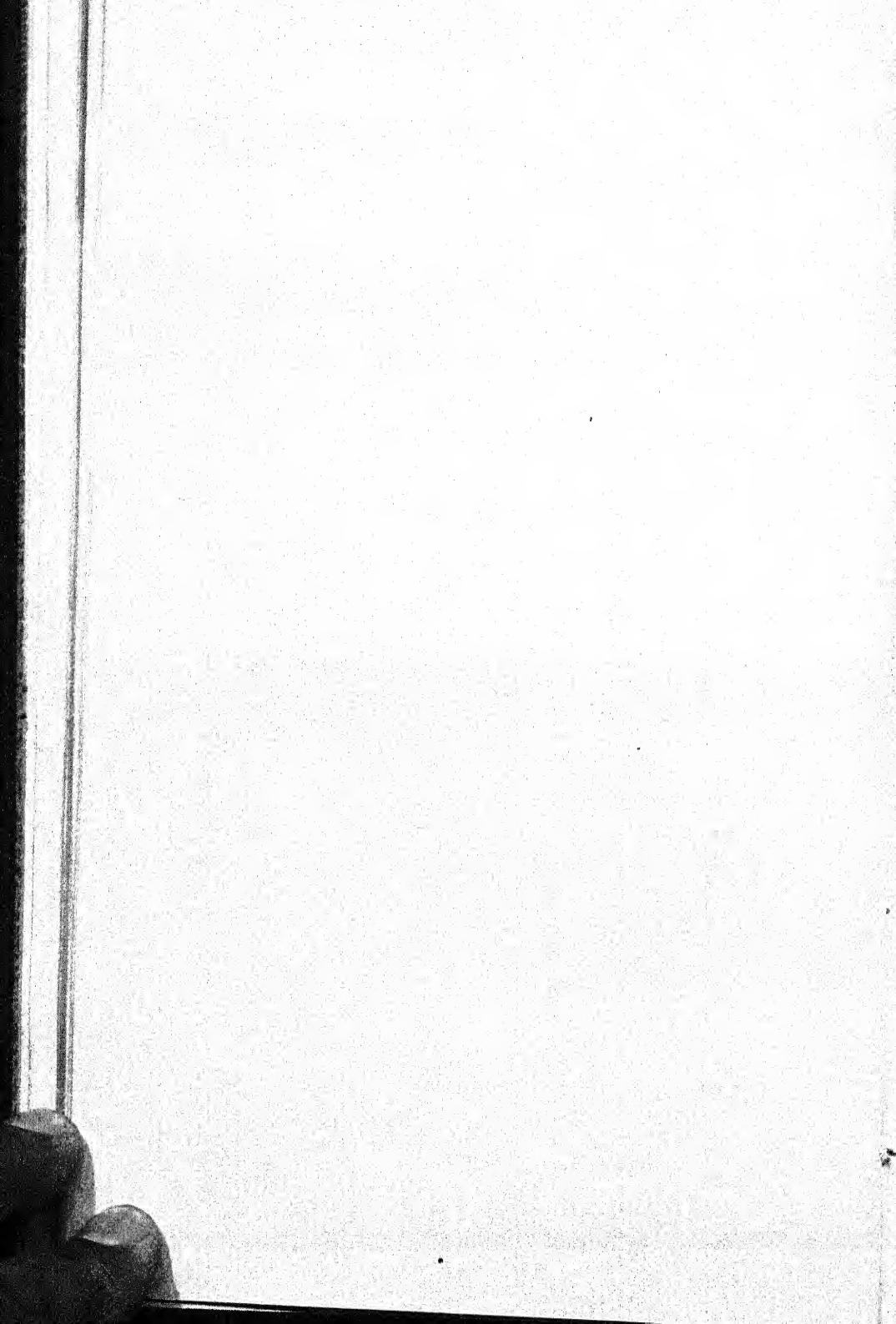
HERBERT E. ANGEL, director of Office Methods Branch, Department of the Navy.

WAYNE C. GROVER, Archivist of the United States.

ROBERT H. BAHMER, assistant archivist of the United States; formerly Director of Records Management, Department of the Army.

F. M. ROOT, Westinghouse Electric Co., Pittsburgh, Pa.

EDWARD WILBER, director of the Division of Organization and Budget, Department of State.



# The Organization and Management of Federal Supply Activities

*A report to the Congress by the Commission on  
Organization of the Executive Branch of  
the Government, February 1949*

This report accompanies that on an Office of General Services

The Commission on Organization of The  
Executive Branch of the Government

HERBERT HOOVER, *Chairman*  
DEAN ACHESON, *Vice Chairman*

ARTHUR S. FLEMMING  
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## Letter of Transmittal

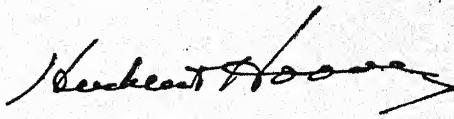
WASHINGTON, D. C.

12 February 1949.

DEAR SIRS: In accordance with Public Law 162, Eightieth Congress, approved July 7, 1947, the Commission on Organization of the Executive Branch of the Government submits herewith its report on the "Organization and Management of Federal Supply Activities", and separately, as Appendix B, the task force report, "The Federal Supply System."

The Commission wishes to express its appreciation for the work of its task force and for the cooperation of officials of departments and agencies concerned with this report.

Respectfully,



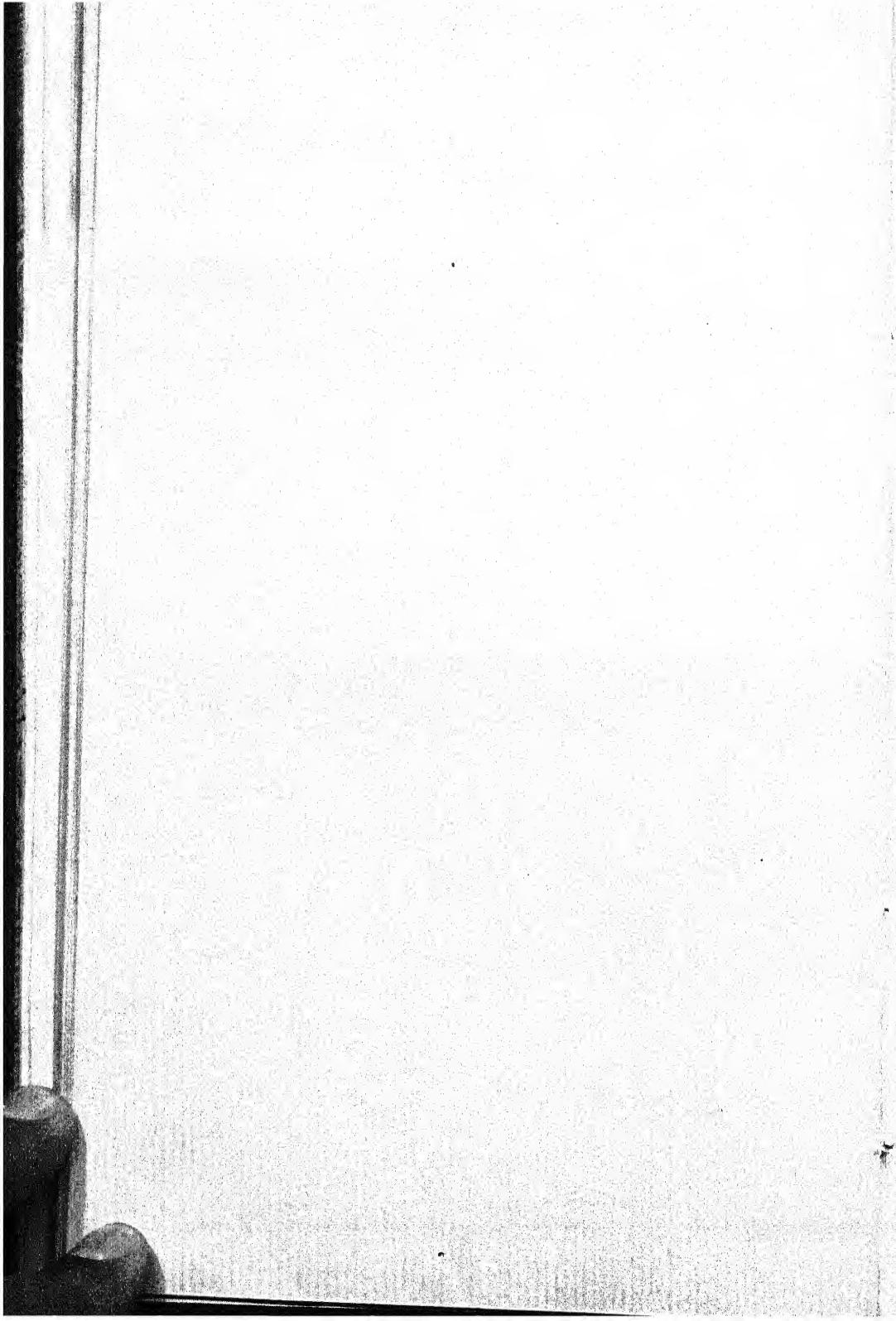
Chairman.

*The Honorable*

*The President of the Senate*

*The Honorable*

*The Speaker of The House of Representatives*



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## Federal Supply Activities

The Federal Government runs one of the greatest supply businesses in the world. It is spending more than 6 billion dollars a year for new material, supplies, and equipment for the regular activities of the civilian and military agencies. In addition, since 1941, the Federal Government has been engaged in enormous purchases for export in connection with lend-lease and foreign-aid programs. It makes huge purchases of strategic and critical materials from foreign sources, and imports them for the national stock pile.

The Federal Government also has in storage, in the continental United States, military and civilian inventories valued at 27 billion dollars. No one knows accurately the total worth of Government personal property currently being used, but its million or more motor vehicles, for example, have a value of at least 2 billion dollars. The Government also pays out more than 1 billion dollars yearly for transportation of property, and 440 million dollars in salaries of the nearly 150,000 employees working in supply operations.

While most of this supply activity is military, the Federal Government has important civilian supply functions in fields as diverse as the procurement of supplies used in building power dams, conducting research in atomic energy, and operating hospitals. It is the largest single user of office supplies.

Total purchases by civilian agencies amount to about 900 million dollars a year.

As used in this report, the term "supply" refers to the task of providing personal property (supplies, materials, and equipment) required for the operation of the Federal Government. There are seven primary phases of the supply operation, which are as follows:

1. *Specification* or the task of establishing standards for property to be purchased.
2. *Purchasing* or the acquisition of property.
3. *Traffic management* or the transporting of property from the point of purchase or storage to the point of need.
4. *Inspection* or insuring adherence of property to purchase specifications.
5. *Property identification* or the task of cataloging property under a standard system so as to facilitate identification.
6. *Storage and issue* or the storing of necessary reserves of property and their distribution when needed.
7. *Property utilization* or the task of seeing that property is efficiently used and is suitably disposed of when no longer needed.

## What Is Wrong With Federal Supply Operations

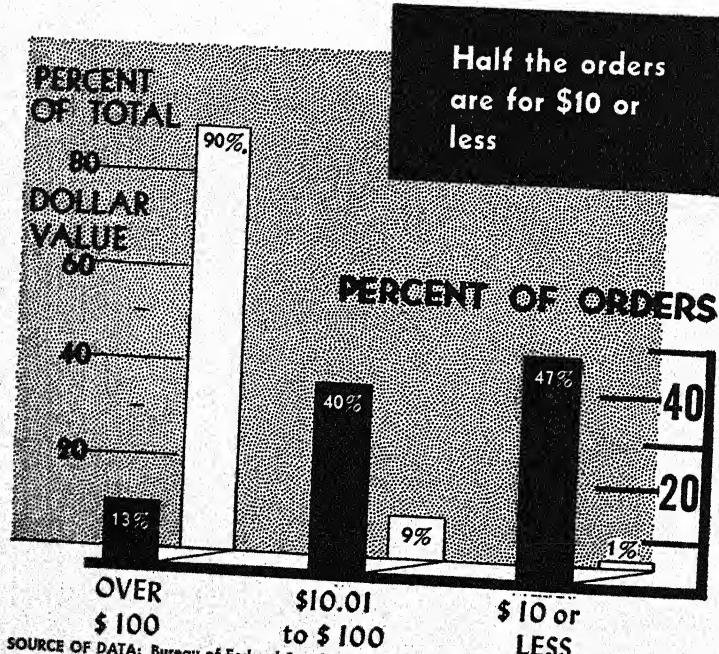
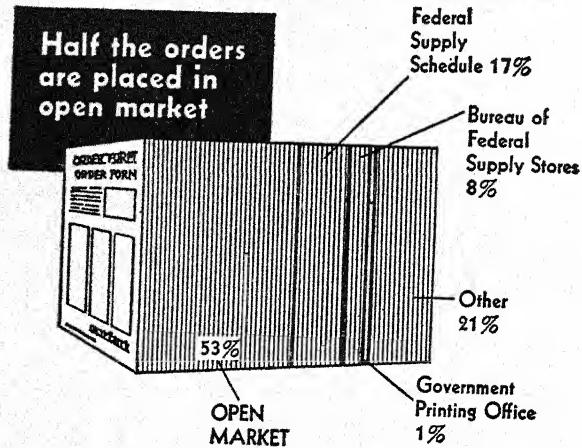
The numerous deficiencies in Federal supply operations are described in detail in the report of the Commission's Federal Supply Project which has been printed for distribution as appendix B of its reports. It is sufficient to point out herein only a few of the major deficiencies:

### 1. Purchasing

One of the major weaknesses in Federal purchasing stems from the lack of any central body to coordinate Government purchasing activities. Small agencies buy for themselves, although the volume of their purchases does not permit the employment of a competent staff. In common use items, consolidated orders for several agencies by a single purchasing office would achieve large savings. The Bureau of Federal Supply, which was established as the central supply organization, has insufficient funds to purchase on a centralized basis. A properly organized central supply service could almost completely eliminate purchasing offices in the smaller agencies.

- a. Purchasing requires a high degree of professional competence, yet many purchasing offices are not manned with competent personnel.

## WHEN FEDERAL AGENCIES BUY



SOURCE OF DATA: Bureau of Federal Supply, and the Bureau of Budget surveys of 19 agency supply facilities, February 1947 through June 1948.

*b.* Purchasing operations are unplanned.

As evidence of this it is estimated that approximately half of the several million purchase orders issued annually are for \$10 or less. (See chart, When Federal Agencies Buy.)

Since the cost of processing a purchase transaction is greatly in excess of \$10, the overhead cost is more than the cost of the goods.

*c.* Purchasing officers lack information and funds necessary to schedule purchases so as to take maximum advantage of favorable market conditions.

*d.* Purchasing officers have failed to develop cost records and other tools essential to an effective job of purchasing.

*e.* Purchasing operations have degenerated largely into the routine practice of soliciting bids and awarding contracts to the lowest bidder. An economical job cannot be expected unless purchasing officials are granted sufficient latitude to negotiate small purchases, to restrict competition to reliable vendors, and to give sufficient weight to quality of the product in awarding contracts.

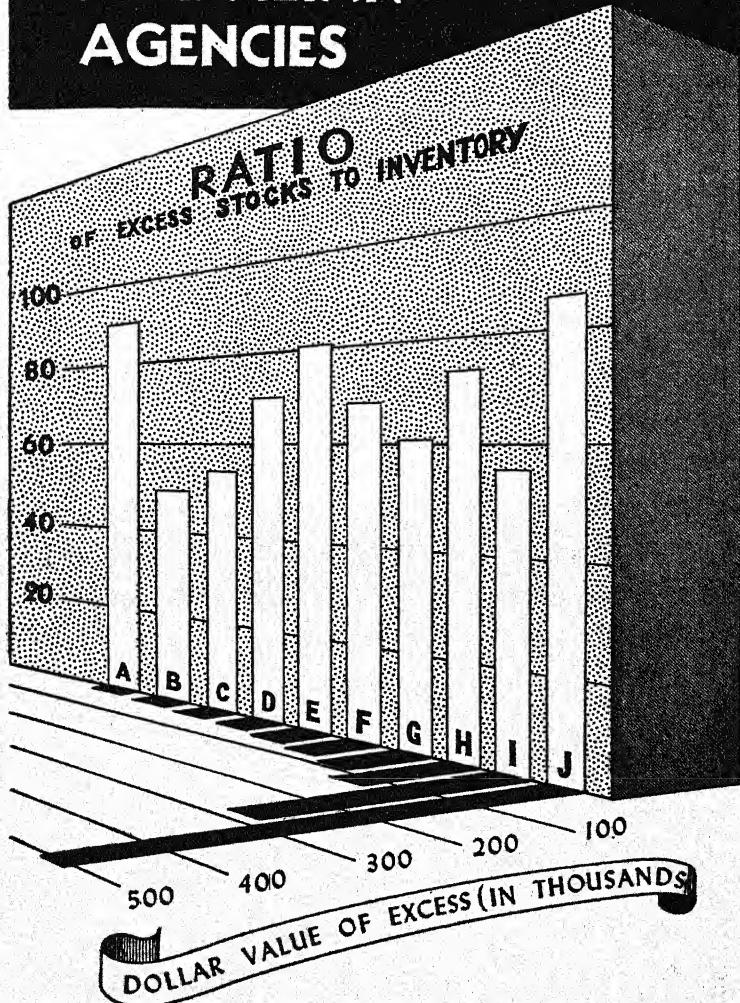
## 2. Storage and Issue

It is estimated that over 100,000 employees whose total annual salary rate exceeds 270 million dollars are engaged in storage and issue activities in the military and civilian agencies.

*a.* There are too many storage warehouses. These warehouses maintain duplicating inventories.



# EXCESS INVENTORIES IN CIVILIAN AGENCIES



SOURCE OF DATA: Bureau of Federal Supply, and the Bureau of Budget surveys of 19 agency supply facilities, February 1947 through June 1948.

balances at the end of a fiscal year in supplies so as to avoid returning such funds to the Treasury.

### 3. Traffic Management

Annual charges paid by the Government for the transportation of property exceed 1 billion dollars which is nearly one-tenth of the revenue of common carriers for the transportation of property. Government property and its channels of movement differ materially from the commercial traffic for which carrier tariffs have been constructed.

Most of the traffic personnel in the Federal Government are auditing transportation bills. Only a very few employees are engaged in activities aimed at improving traffic management and reducing costs. Agencies having well-developed traffic organizations have demonstrated that substantial savings can be achieved if attention is devoted to this problem. The Reconstruction Finance Corporation, for example, effected savings of 17 million dollars on its wartime traffic with an average annual salary expenditure of \$200,000.

### 4. Specifications

If products purchased are to be of a satisfactory quality and are to meet the specific needs of the Federal Government, it is essential to establish standards which the products must meet.

There is considerable evidence that many commodities which should be covered by specifications are not so covered; that many existing specifications are out of date; and that

valid specifications are not being enforced. Standards are described in terms of the physical characteristics or composition of the product rather than in terms of performance required. Much of the responsibility for these conditions rests upon the individual agencies, but a large part results from the fact that the machinery for developing and enforcing standard specifications of Government-wide application has not been functioning satisfactorily.

Specifications for common-use items are prepared under the Federal Specifications Board which is composed of the representatives of 11 agencies. Preparation or revision of a specification has become a very lengthy process, averaging over 2 years, largely because there is insufficient staff time devoted to this work.

## 5. Inspection

Inspection is an essential phase of supply, since it is the method of determining whether the quality of materials or equipment received meets the requirements stipulated in the specifications or purchase order.

In the civilian agencies there is no uniformity in quality of inspection, or in the basic concepts of what types of commodities should be inspected. Inspection service and testing laboratories are scattered throughout the country without any coordination.

In the military agencies, the quality of inspection was found to be reasonably good, but, in many large cities, each service

department maintains a separate inspection office. There was also found to be a duplication of laboratory facilities.

## 6. Property Identification

It is impossible to provide economical management of personal property if its identity, classification, location, quantity, and physical characteristics are not known.

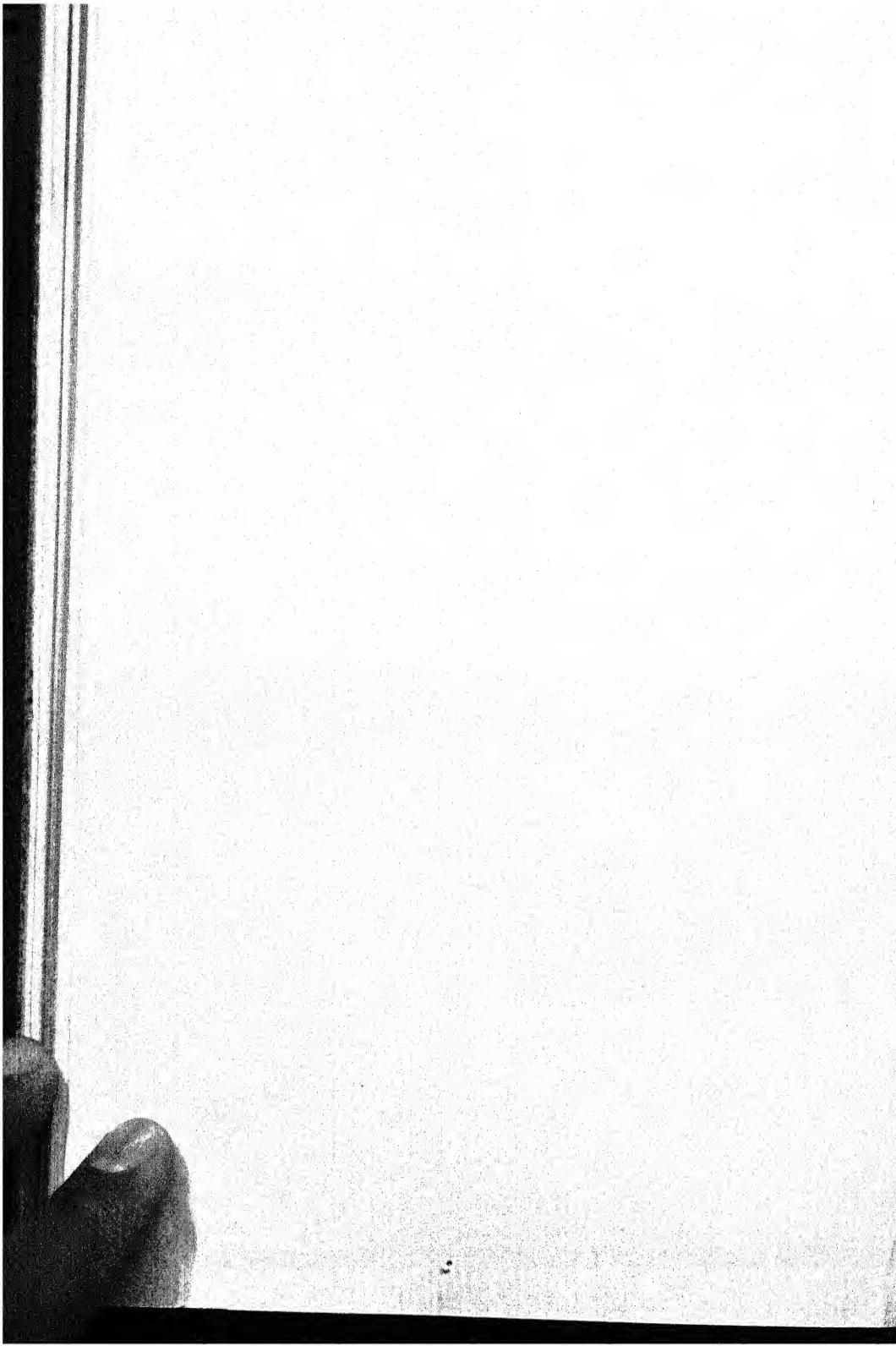
The Government agencies do not utilize a standard catalog or other system of identifying items regularly maintained in stock. In some agencies each supply point is permitted to devise its own catalog with the result that one part of an agency may be overstocked on a given item while another part is making additional purchases of the same item. There is no uniform system of cataloging which permits identification and classification of the materials used by all of the agencies. There have been 17 unrelated systems of property identification in use at one time. This situation has resulted in the development of costly duplicating inventories throughout the Government.

Since the recent war, the National Military Establishment has made some progress toward a coordinated system of property identification and the Bureau of Federal Supply is now cooperating in this endeavor. Nevertheless, a declaration of congressional policy insisting upon a Federal commodity catalog is necessary to insure conformity of some of the old-line civilian agencies and to insure continued military-civilian cooperation.

## **7. Property Utilization**

Agencies have devoted far too little attention to effecting needed economies through maximum use of personal property. Some agencies maintain no property controls and numerous agencies have not inventoried their property in years. Other agencies have costly record systems which are not adapted to assisting management in obtaining full utilization.

The failure to provide adequate inventory procedures and property records has resulted in the accumulation of large inventories of surplus property. By continuing to store such property, these agencies are building up excess storage and handling costs as well as permitting the property to depreciate.



## **Basic Causes of Deficiencies in Supply Administration**

The deficiencies of Government supply operations spring from the following primary causes:

*First:* Supply is not fully recognized as an important executive function.

At a time when personnel and budgeting have achieved status as vital staff functions, there has been a continued failure to appreciate fully the relationship of supply to Government efficiency. There is no comprehensive Government-wide system that gives adequate emphasis to the many phases of supply.

*Second:* This failure is reflected in an inadequate supply organization for the Government as a whole as well as for the various departments and agencies. The Bureau of Federal Supply, which is intended to be the supply organization for the Federal Government, is inappropriately located in the Treasury Department where it does not have adequate authority or facilities to do a satisfactory job. The departments and agencies do not have effective supply organizations. The result is a confused Federal supply system where agencies compete with one another for scarce commodities, maintain duplicating storage facilities in the same locality, and operate

as many as 17 different systems of property identification at one time.

*Third:* This failure is reflected further in the personnel system which does not provide competent staff to fill supply positions. Although purchasing is a highly skilled profession that requires intimate knowledge of trade conditions and markets, salaries paid in Government agencies are inadequate to recruit and keep persons with the required professional competence. Personnel processes fail to make proper acknowledgment of the skills required.

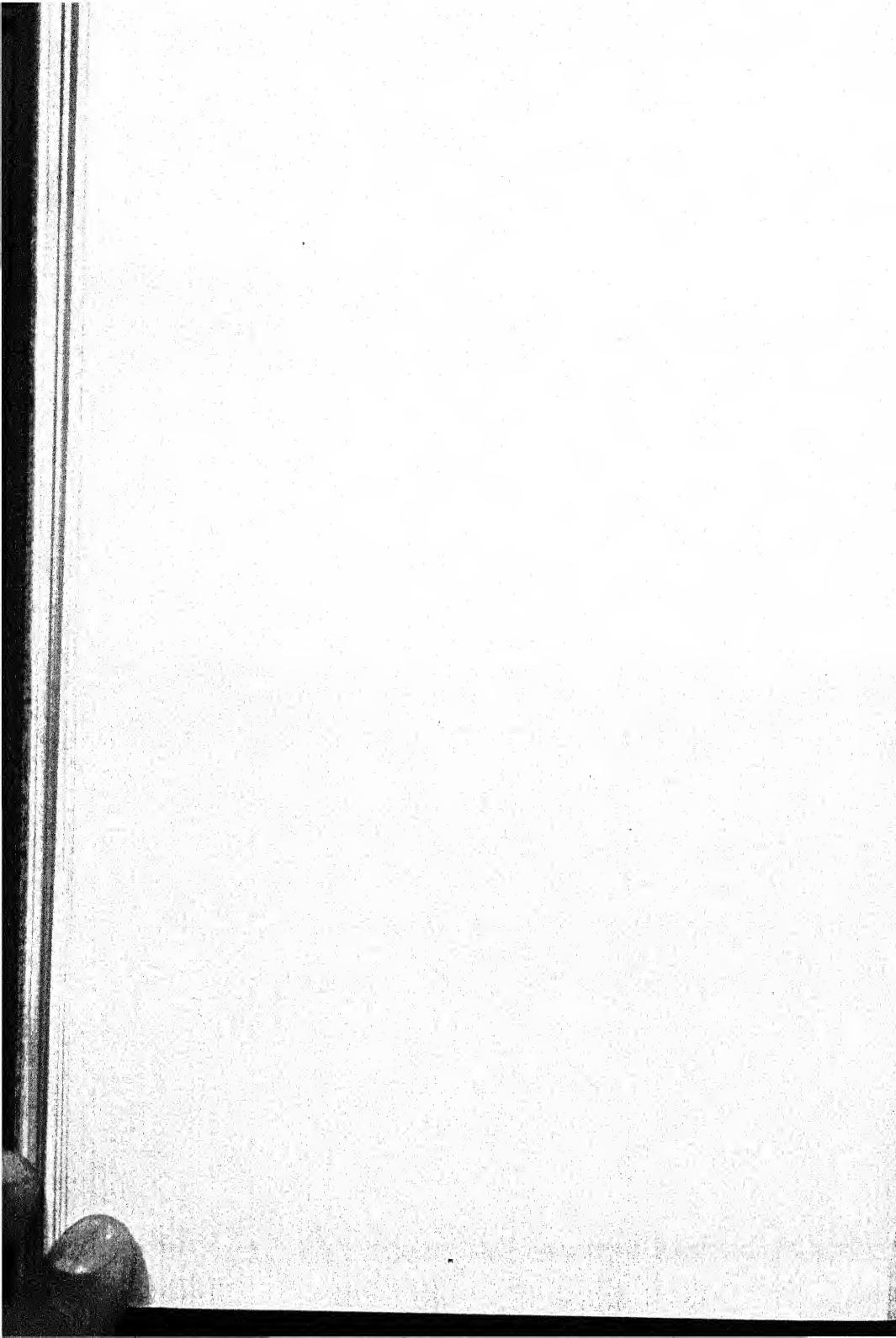
*Fourth:* A maze of laws and regulations surrounds the whole process with unnecessary red tape. The emphasis of the laws is not on promoting efficiency and economy but upon preventing fraud. Overregulation encourages routine buying and prevents economy and the exercise of initiative. Purchasing is consumed in red tape. It is estimated that, on over half of the 3,000,000 purchase orders issued by civilian agencies, the cost of paper work exceeded the cost of the items purchased.

*Fifth:* The system of budgeting and appropriating funds fails to emphasize the need for advance planning of supply needs and fails to provide adequate control over supply expenditures. Budget officers must estimate their requirements nearly 2 years in advance and, as a result, most estimates are mere guesses. Funds remaining near the end of a fiscal year are frequently expended for supplies and equipment in order

to avoid returning the money to the Treasury. Advance schedules of buying are inadequate. Purchasing officers do not participate to the necessary degree in budget and operational planning.

*Sixth:* Some phases of the supply operation are regulated by statute as well as by decisions of the Comptroller General; whereas other phases have neither legislative nor administrative sanction. Purchasing is regulated by both statutes and by detailed administrative rulings. Disposition of surplus property is governed by over 369 separate statutes. On the other hand, storage and issue, traffic management, standard specifications, inspection, and property identification have almost no legislative sanction and are governed by a very limited number of administrative regulations. The result is that some of the mutually dependent supply operations are so closely regulated as to stifle initiative and hamstring efforts to improve the supply system; whereas in other operations there is insufficient legislative sanction to support constructive administrative action.

*Seventh:* The Government has failed to compile adequate cost and statistical records which are needed for the efficient management of supply operations. Most agencies are overburdened with a surplus of complicated statistical and other records but few agencies have the type of data for making intelligent budget estimates and management decisions relating to manpower and supply requirements.



## Program for Improving Federal Supply Operations

It is impossible for this Commission to work out a completely detailed system of supply for the Government. Rather, we attempt in this report to outline such a system, and recommend an organization which can develop an effective mechanism.

The deficiencies of the Federal supply system stem in part from deficiencies in companion staff services, namely, the personnel and fiscal activities.

In our report on Personnel Management, we recommend a personnel organization, policies and practices which, if adopted, should contribute immeasurably to the solution of the problem of securing competent personnel to fill key supply positions. No other steps which the Government might take will contribute more to improved supply operations than the adoption of measures which will help insure the selection and retention of competent supply personnel.

Our report on Budgeting and Accounting recommends an improved system of appropriating funds and preparing agency budgets. The adoption of these recommendations will promote more realistic budgeting and accounting for supply activities and will eliminate detailed regulations which tend to hamstring the operations of imaginative supply officials.

In addition to these recommendations which are included

in other reports, we outline below seven recommendations which, if adopted, will lay a sound basis for the development of an efficient system of supply in the Federal Government.

*Recommendation No. 1*

Enact legislation which will repeal the conglomeration of existing statutes, clear the books of present restrictive and often conflicting decisions and regulations, and provide the basic principles for an effective supply system.

This legislation should be designed to provide a charter for the Bureau of Federal Supply in the Office of General Services (see recommendation No. 4 below) and to permit the development of effective and economical Federal supply practices.

*Recommendation No. 2*

Enact legislation to apply the principles of the Armed Services Procurement Act of 1947 to buying by all agencies.

This act permits contracts to be negotiated under specified circumstances and conditions, and raises from \$100 to \$1,000 the ceiling for purchases without competitive bids.

Such legislation is fundamental to achieving worth-while improvements in supply operations. This authority should be lodged in the President.

*Recommendation No. 3*

Establish a Supply Policy Committee composed of representatives of the Bureau of Federal Supply and the National Military Establishment to coordinate civilian and military supply operations.

Although the Commission recognizes that the wide differences in supply problems make it undesirable to unify civilian and military supply activities, there is a need for close coordination between the two systems. There are many items of common use, such as medical supplies, where purchase and storage by one or the other (but not both) would result in major savings. Our task force report on Medical Services recommends strongly a single agency to purchase all medical supplies, military and civilian. It is also desirable, as pointed out earlier, for civilian and military agencies to coordinate their activities as they relate to specifications, property identification, and traffic management.

It is for these reasons that the Commission recommends that a Supply Policy Committee be established. This Committee should not be formalized by statute but should serve at the pleasure of the President.

It would be the function of this Committee to develop policies and rules on supply operations common to both the military and civilian agencies and to make Government-wide purchase, stores, inspection, testing, and other assignments. It would assign responsibility for special programs such as stock piling and would settle disputes which might arise in

connection with the integration of civilian and military supply systems.

Coordination between civilian and military agencies is particularly important in the development of a standard property identification system and in the development of standard specifications for items of common use. For example, in purchasing such items as medical supplies and equipment which are used in large quantity by both the military and civilian establishments, this Committee could assign the task of purchasing such items for the Government as a whole to the agencies which are best suited to make the purchases.

#### *Recommendation No. 4*

Establish a Bureau of Federal Supply in the Office of General Services with competent personnel and clothed with adequate authority to provide the leadership necessary to achieve in the executive branch an efficient supply organization which would also coordinate with the National Military Establishment.

A major function of this office should be the formulation of policies and regulations, on behalf of the President, to govern the supply operations of the executive branch. Its task would be to view the supply problems of the executive branch as a whole, and to adopt such policies and to provide such assistance to the agencies as will bring about a supply system which is effective and economical.

We do not recommend a specific internal structure for the Supply Bureau. We believe that its organization must be

geared to existing circumstances and therefore must be decided upon by the Director of General Services and the Director of the Bureau of Supply. We do, however, outline the activities which should be assigned to the Bureau. (See chart, Proposed Supply Agency.)

A primary responsibility of the Bureau would be to assist the President in the formulation of policies, regulations, and practices which are to govern all phases of the supply function in the executive branch and to make administrative audits to determine compliance therewith. Through its membership on the Supply Policy Committee it should assist in the formulation of those policies, regulations, and practices which are to be common to both the civilian and military agencies. In addition it would carry out the following responsibilities:

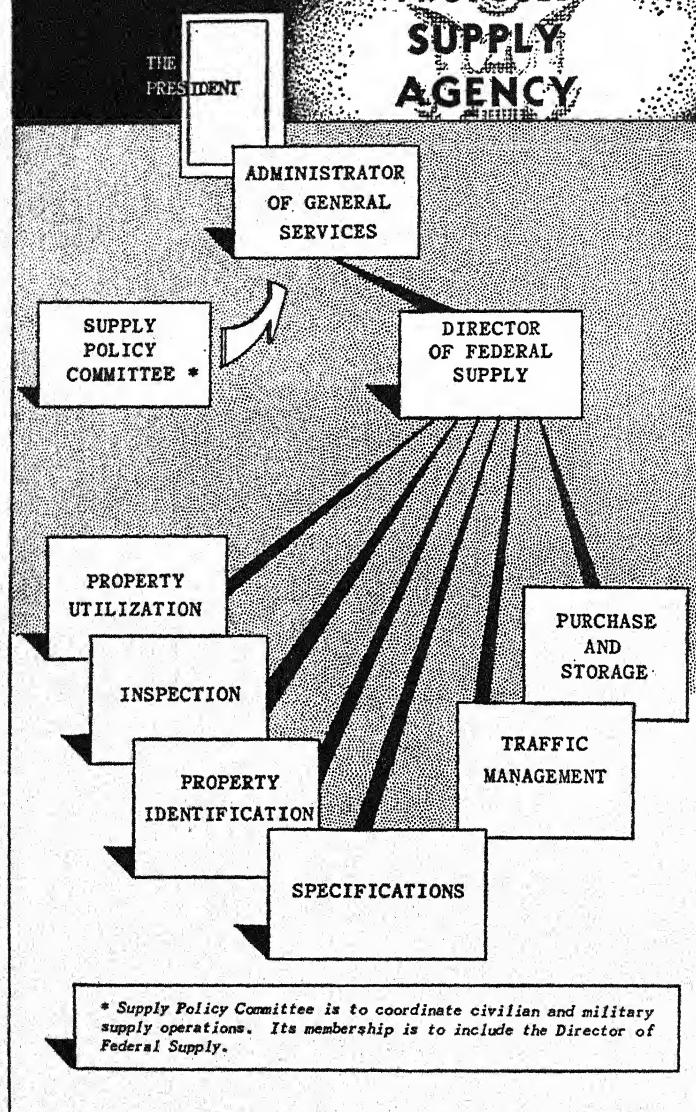
### Purchase and Storage Activities

#### *Recommendation No. 5*

We recommend that this unit:

- a. Assign responsibility for the purchase or storage of commodities peculiar to the use of an agency to the agency best suited to make such purchases or to store such commodities.
- b. Designate certain agencies to purchase specified supplies for all agencies.
- c. Award contracts to vendors for common-use items, these contracts to be utilized by all agencies in the purchase of such items.

# PROPOSED SUPPLY AGENCY



- d.* Handle the purchasing for small agencies whenever it is economical to do so.
- e.* Operate a Nation-wide system of storehouses to supply departmental and field services with those common-use items which can most advantageously and economically be distributed through such storehouses.
- f.* Purchase, through consolidated orders for all Government agencies, those items in which volume purchases result in appreciable savings.
- g.* Develop master forms of bid and contract documents, of which all suppliers should be informed and which can be incorporated by reference into each bid and contract.

### Traffic Management Activities

#### *Recommendation No. 6*

We recommend that this unit:

- h.* Advise all Government agencies on traffic management problems.
- i.* Represent all agencies in negotiating rates with the carriers.
- j.* Represent all agencies in cases before the transportation regulatory bodies.
- k.* Advise agencies as to reasonableness of carriers' bills.

- l.* Prepare and maintain appropriate manuals and guides relating to traffic management activities of Government agencies.

### Specifications Activities

#### *Recommendation No. 7*

We recommend that this unit:

- m.* Serve as a secretariat for a coordinating body of representatives of selected agencies including the National Military Establishment on Federal specifications. Such a board, if desired, would approve Federal specifications and recommend for the President policies and procedures governing their preparation.
- n.* Maintain a master list of qualified products, that is, products which meet Federal specifications.

### Property Identification Activities

#### *Recommendation No. 8*

We recommend that this unit:

- o.* Serve as secretariat for a coordinating body made up of representatives of selected agencies including the National Military Establishment. Such a board would recommend to the President policies and procedures for developing a single commodity catalog for the Federal Government. It should also recommend rules and regulations for its mandatory use.

## Inspection Activities

### *Recommendation No. 9*

We recommend that this unit:

- p.* Determine what products should be inspected.
- q.* Make inspection assignments to specific agencies.
- r.* Make testing assignments.
- s.* Prepare inspection manuals.
- t.* Develop rules and regulations on inspection policies and methods.

## Property Utilization Activities

### *Recommendation No. 10*

We recommend that this unit:

- u.* Develop property use, maintenance, and replacement standards and rules and regulations, and determine the extent to which property disposal functions should be delegated to civilian agencies.

### *Recommendation No. 11*

Strengthen the Authority of the Secretary of Defense so that he may provide the leadership necessary for improving the supply operations of the National Military Establishment.

The three military departments expend over 5 billion dollars annually for new supplies and equipment or 80 percent

of the total amount so expended by the Government each year. Therefore, if substantial savings are to be realized in supply operations, improved practices must be adopted by the military departments as well as by the civilian agencies.

The Commission believes that the wider sphere of responsibility given to the Munitions Board under the National Security Act of 1947 is a step in the right direction. This charter should be expanded, however, to cover all phases of military supply including purchasing, storage and issue, traffic management, specification, inspection, property identification, and property utilization.

#### *Recommendation No. 12*

It is specifically recommended that the National Security Act of 1947 be amended so as to strengthen the authority of the Secretary of Defense in order that he may integrate the organization and procedures of the various phases of supply in the constituent departments of the National Military Establishment.

#### *Recommendation No. 13*

Remodel civilian agency supply organizations along the general lines proposed for the Bureau of Federal Supply.

It is not intended here to propose a rigid pattern which should govern the supply organizations of the civilian departments and agencies. The size and nature of agency supply organizations will vary with the type and quantity of supplies which the agency requires. The Supply Bureau,

however, should have the responsibility of reporting to the President the provisions made by the various agencies for the adoption of policies outlined herein.

*Recommendation No. 14*

Eliminate the present surcharge levied on the price of commodities purchased through central supply organizations for the Government as a whole and the departments and pay the administrative costs of such organizations through direct appropriations.

At the present time the Bureau of Federal Supply is required to levy a surcharge of 12 percent of the purchase price on commodities which agencies purchase through the Bureau. A similar practice exists in many of the departments which have central supply organizations handling purchasing on a department-wide basis. This practice has discouraged use of economical centralized facilities and fostered the growth of costly supply units throughout the Government. As long as the practice of levying surcharges exists, agency officials will persist in the impression that they are able to purchase more economically than the central organizations, since they do not take into account the overhead and operating costs of their own purchasing organizations.

\* \* \* \*

The report of the Federal Supply Project (appendix B) makes detailed recommendation for the improvement of supply operations. These recommendations should be of in-

estimable assistance to Federal officials concerned with supply, and it is upon these officials that the primary burden for an improved system rests. In order to free these officials so that they may proceed with such a program, it will be necessary for the President and Congress to adopt the recommendations which the Commission has outlined in this report.

### Savings

The task force reports that great savings will be realized if its recommendations are adopted.

The task force also estimates that it should be possible to reduce stores inventories, both military and civilian, by over 2,500 million dollars. This would permit a cut in personnel engaged in stores activities. The adoption of the recommendations relating to traffic management would produce additional savings. Adoption of the recommendations relating to inspection, specification, property identification, and property utilization would also achieve appreciable savings in personnel and operating costs.

## **Related Task Force Report**

The Commission has had Volume I of the task force report on the Federal Supply System printed and submits this separately as Appendix B.

Supplemental papers are also submitted separately in typescript.

### **Acknowledgment**

The Commission wishes to acknowledge the assistance of the following persons:

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# *The Federal Supply System*

A REPORT WITH RECOMMENDATIONS

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P R E P A R E D F O R

THE COMMISSION ON ORGANIZATION OF THE  
EXECUTIVE BRANCH OF THE GOVERNMENT

---

*by*

Russell Forbes, Former Professor and Director of the Division of Research in Public Administration, New York University; Commissioner of Purchase, New York City, and Consultant to the Director, Bureau of Federal Supply, U. S. Treasury Department; His Advisors and Consultants

-2 APR 1957

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## LETTER OF TRANSMITTAL

WASHINGTON, D. C.,  
13 January 1949.

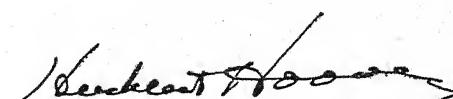
DEAR SIRS: In accordance with Public Law 162, approved July 7, 1949, the Commission on Organization of the Executive Branch of the Government has undertaken an examination into the operation and organization of the executive functions and activities. In this examination it has had the assistance of various task forces which have made studies of particular segments of the Government. Herewith, it submits to the Congress a study prepared for the Commission's consideration on various aspects of the Federal Supply System.

The study of each task force naturally is made from its own particular angle. The Commission, in working out a pattern for the Executive Branch as a whole, has not accepted all the recommendations of the task forces. Furthermore, the Commission, in its own series of reports, has not discussed all the recommendations of an administrative nature although they may be of importance to the officials concerned.

The Commission's own report in this particular field is submitted to the Congress separately as part of its discussion of Executive Services.

The Commission wishes to express its appreciation to Russell Forbes, who directed the preparation of the task force study on supply, and to his many able assistants and advisers.

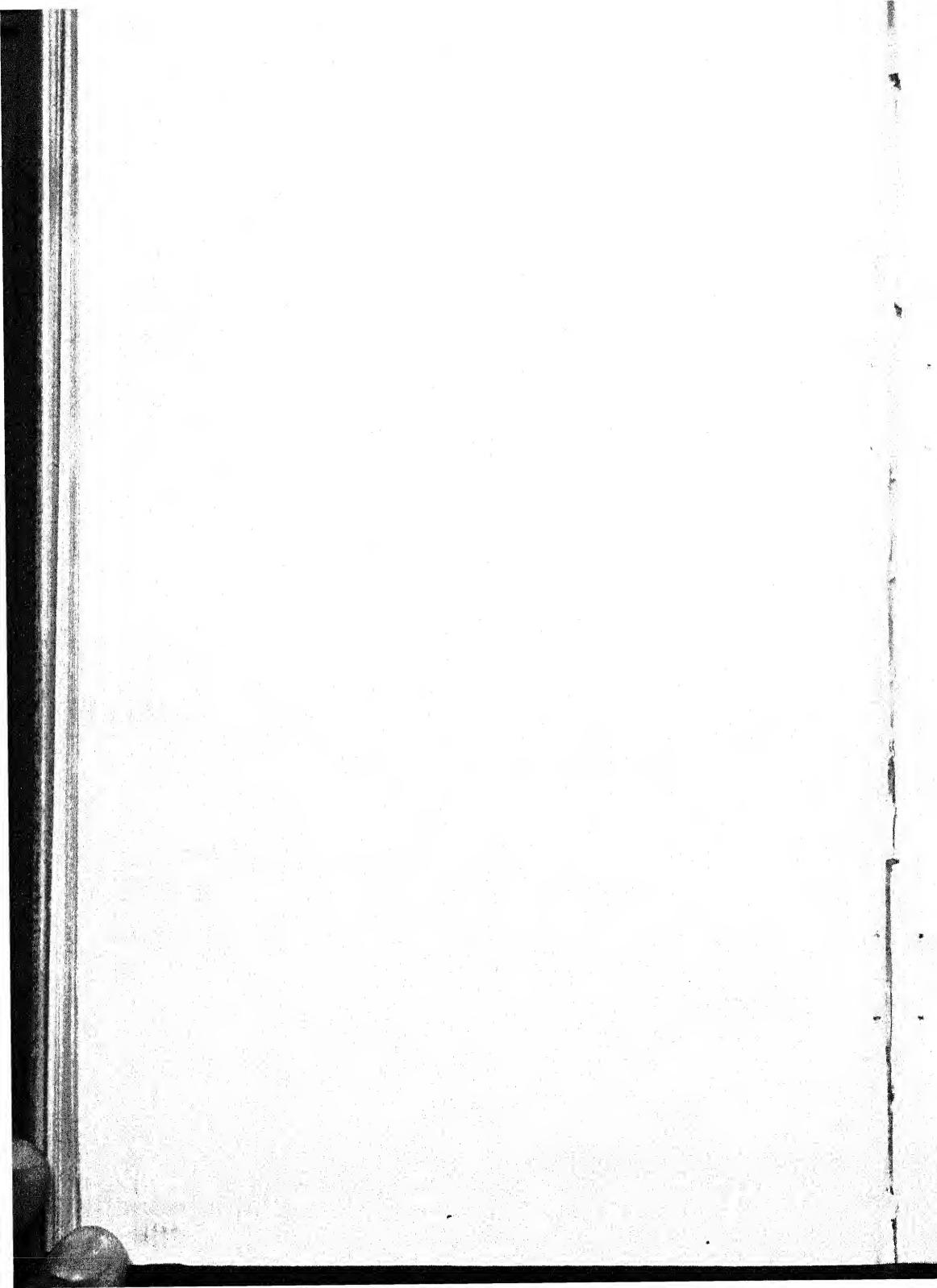
Faithfully,



Herbert H. Lehman  
Chairman.

*The Honorable  
The President of the Senate*

*The Honorable  
The Speaker of the House of Representatives*



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## Acknowledgments

It is a pleasure to acknowledge our great obligation to the administrative heads and supply officials in the several agencies which were surveyed by the Federal Supply Project. Without exception, they cooperated wholeheartedly and exceeded our expectations in the speed and completeness with which they collected the requested data on their supply operations. The Munitions Board was particularly helpful. It not only assumed the leadership and the responsibility for collecting statistical data concerning supply operations in the Army, Navy, and Air Force but also arranged a joint meeting at which representatives of these three Departments presented to our staff, through charts and figures, the details of their respective supply systems.

We are also especially obligated to the Government Requirements Division of the Bureau of Federal Supply for having made available to us the reports on their surveys of agency supply operations conducted in cooperation with the Bureau of the Budget. A total of nearly 500 interviews were conducted by our staff with officials in the civilian and military agencies at headquarters and at field points; and there were few, if any, cases of withholding or misrepresenting the information requested.

The staff of Robert Heller and Associates, who were in charge of the project on the Post Office Department, contributed very materially by collecting, assembling, and reporting to us the facts on the supply situation at field post offices; and by arranging entrees for our staff with Post Office officials at Washington headquarters.

Preeminently, we are indebted to the Bureau of the Budget, which went much beyond what could reasonably be expected in the way of cooperation. The Bureau threw open to us its reference files and staff reports, and the Library prepared bibliographies of material available on several phases of supply. The Division of Administrative Management supplied a leading member of the staff on a reimbursable-loan basis. The head and staff members of the Property Management Section of that Division were almost continuously available for consultation and advice at all stages of our work. The Division of Statistical Standards furnished a valuable staff member for the study of Standard Specifications for a period of 6 months, and another staff member for a period of 1 month on Property Identification (Commodity Cataloging), both on a reimbursable-loan basis; and, in addition, allowed two other members of its staff to work without charge in collecting the

data on the history of Property Identification. Moreover, the Fiscal Division provided us with data on Summary of Obligations by Object, in advance of its general release.

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On the invitation of the Chairman of the Commission on Organization, eight prominent supply executives outside the Government have served as an advisory committee to this project. They have given liberally of their time and energy by attending meetings and by offering suggestions on the form and substance of our survey and reports. The following have served as the members of this committee:

W. Z. Betts, director, Division of Purchase and Contract, State of North Carolina.

Harry Erlicher, vice president in charge of purchases, General Electric Co.

R. C. Haberkern, vice president in charge of purchases, R. J. Reynolds Tobacco Co.

Carl Ilgenfritz, vice president in charge of purchases, United States Steel Corp.

Thomas D. Jolly, vice president in charge of purchases and engineering, Aluminum Co. of America.

George A. Renard, executive secretary-treasurer, National Association of Purchasing Agents.

John P. Sanger, vice president in charge of purchases, United States Gypsum Co.

Charles E. Smith, vice president in charge of purchases, New York, New Haven & Hartford Railroad.

## INTRODUCTION

The problem of supply is treated all too casually by the United States Government. Some of the phases of supply, such as the acquisition of personal property by purchase and its disposal when no longer needed, are overregulated by many laws and by stacks of directives and manuals. Contrariwise, the intermediate steps—the quantities on hand, and the use made of personal property after it is delivered by the vendor or issued from stock—are, in many agencies, given little attention; are practically unregulated; and are not taken into account when planning the operating programs or preparing the budgets of estimated future requirements.

Private business has long since recognized that careful management of its investment in supplies, materials, and equipment has a direct and an important bearing on profit or loss. No large private corporation could long survive if it practiced the waste and extravagance in supply which is condoned in the Federal Government. Nor could the Government, if it were a competitive enterprise.

### A. Scope of Federal Supply Problem

The Government buys practically everything used in our private economy, and is the exclusive user of hundreds of tactical and technical items which are specially made for defense purposes. It is the largest single consumer of administrative supplies, equipment, and printed forms. These are used in its various agencies, which have thousands of field offices throughout the United States and in an increasing number in foreign countries, with a total average civilian personnel during the fiscal year 1948 of 2,032,600 in the executive branch of the Government.<sup>1</sup>

In addition to the vast quantities of administrative commodities in use or on hand awaiting use at operating field points, the Government maintains in its supply "pipe line" huge inventories as reserves for anticipated future needs. Each year the Government buys new commodities for replenishment of the supply pipe line, for replacement of worn-out equipment, or for changes or expansions in defense and operating programs. The total expenditures for procurement of new supplies, materials, and equipment, including military require-

<sup>1</sup> Report of Joint Committee on Reduction of Nonessential Federal Expenditures, Congressional Record, August 3, 1948, p. 9810.

ments, in the fiscal year 1947 were over \$6,000,000,000, and are on the upgrade, according to the following figures supplied by the Fiscal Division of the Bureau of the Budget:

Object classification	Actual expenditures, fiscal year 1947	Estimated expendi- tures, fiscal year 1948	Estimated expendi- tures, fiscal year 1949
08 Supplies and mate- rials.....	\$4,071,939,063	\$4,324,755,820	\$4,379,650,813
09 Equipment.....	2,147,988,661	2,077,212,774	2,298,697,355
Totals.....	6,219,926,724	6,401,968,594	6,678,347,668

Thus, for the fiscal years 1948 and 1949 the estimated expenditures for matériel constituted the second largest avenue of expense in the Executive Budget, being exceeded only by that of personal services. Furthermore, these figures do not take into account last-minute supplemental or deficiency appropriations, such as those recently made for Air Force and Navy aircraft, which considerably swell the totals.

There are no accurate over-all figures on the value of commodities in warehouses and other Government storage facilities. The three military departments estimated that they had on hand in storage a current total inventory of \$26,778,790,000, and the Coast Guard reported an inventory of \$31,902,489. The inventory of supplies stored in the District of Columbia by all executive departments and independent establishments was reported in June 1948 to the Bureau of the Budget as \$9,307,675.<sup>2</sup> From these figures it would not be too far amiss to estimate that the total current value of goods in all Government storage points, military and civilian, in the continental United States represents an investment of public funds of approximately \$27,000,000,000.

Nor is it possible to cite any figure on the quantity or value of the supplies, materials, and equipment in use, because few agencies maintain accurate records of personal property after it has been issued from inventory. Based on recent surveys, the Bureau of the Budget estimates that the Government operates approximately 1,000,000 automotive vehicles of various kinds. Some of these are standard commercial types; others are specially built combat vehicles. It would be a conservative estimate that these vehicles average \$2,000 in current value, which would mean that \$2,000,000,000 in public funds are today invested in automotive equipment alone. The total value of all commodities in use by the Government is anybody's guess.

<sup>2</sup> Excluding stores inventory of the Government Printing Office and the D. C. warehouse of the Bureau of Federal Supply; printed or duplicated material; inventories maintained by field activities with headquarters in the Washington, D. C., area; so-called "cupboard" and "shop" stocks; and stocks in use.

Because of the wide discrepancies between the job classifications of Federal employees and the work they actually perform, it is likewise impossible to state definitely how many persons are engaged in the various phases of supply. The military services, including the Coast Guard, reported an estimated total of 127,525 military and civilian employees (including those in clerical and stenographic positions) engaged in purchasing, storage and issue, traffic management (excluding shipping operations), the development of standard specifications, inspection, and property utilization.

No comparable figures are available for the civilian agencies. The Civil Service Commission conducted an Occupational Survey of Employment as of July 31, 1947; and from such survey figures it was found that a total of 20,343 employees were engaged in the civilian agencies in those 16 principal technical series of the classified service whose titles were obviously related to supply. These figures are admittedly far from complete, since they are entirely exclusive of the very considerable number of clerical and stenographic employees engaged in supply operations. Incomplete as they are, however, they total 147,868 for both civilian and military agencies.

Assuming an average salary of \$3,000 per year, which would appear conservative, the annual salary obligations for handling the supply problem is at least \$443,604,000.

Thus, even under peacetime conditions, the Government's supply problem has become "big business." In emergencies, it swells to almost astronomic proportions. It is a matter, therefore, of considerable importance to each American taxpayer whether this investment in personal property is carefully or carelessly spent, and whether the maximum utilization is secured from his contribution to the supply dollar.

## B. Scope of Survey and Report

Preceding efforts to effect changes in the organization of the Government have paid scant attention to the problems of supply as an administrative function.

Reorganization studies have hitherto devoted a few paragraphs, with little supporting data, to the conclusion that there should be a central bureau of supply with particular emphasis on the need for centralized control over the Government's purchases. Purchasing has also been the focal point of decisions by the Comptroller General. Statutory enactments and investigations by the Congress have been concerned primarily with safeguards against corruption in the expenditure of public funds for the acquisition of property.

What becomes of property after it is purchased and paid for is a relatively neglected field. We believe that it is equally pertinent to

question whether a given purchase should be made at all, as to investigate whether it was made in accordance with prescribed law and procedure. The potential saving through use of stocks on hand in lieu of purchase is often much greater than through accepting the lowest bid on a competitive transaction. This can be done; for the Economy Act of 1932 authorized any agency of the Government to obtain services and supplies from other agencies.

The primary purpose of the survey and report of the Federal Supply Project is to paint in broad outlines a picture of supply as a Government-wide function, involving several phases which are rather completely embraced within the military term of "logistics"; and to point up the need for a comprehensive system of personal property management. Just as there has gradually emerged a system of personnel management involving various elements such as classification, recruitment, and training of employees, the problem of supply involves various steps from the acquisition to the disposal of personal property. The function of supply in the Government was therefore studied and is presented in this report from the point of view of the following phases:

PURCHASING  
STORAGE AND ISSUE  
TRAFFIC MANAGEMENT  
STANDARD SPECIFICATIONS  
INSPECTION  
PROPERTY IDENTIFICATION (THE FEDERAL COMMODITY CATALOG)  
PROPERTY UTILIZATION

All these subjects are elements of the problem of supply, and must collectively be controlled and administered if the Government is to have an effective system for management of its personal property.

The survey and report of this project were not concerned with special programs, such as the purchase and handling of farm products by the Department of Agriculture, or the purchase, storage, and rotation of strategic and critical materials for the national stock pile. These special programs are supposedly temporary in nature, and are more closely linked to economic and defense policies than they are to the regular activities of the Government.

Because of the limited funds allotted to this project, it was impossible to survey all agencies of the Government. Full use has been made of all material and data which had recently been compiled. Some other projects assisted in the task by furnishing data on supply conditions in the agencies which they surveyed. The Bureau of the Budget and the Bureau of Federal Supply also cooperated with this project by conducting certain surveys along parallel lines.

Data on some or all of the phases of the supply function were collected from the following agencies by interviews and by furnishing them with a list of requested information, or were made available through cooperation from other sources, as indicated by footnotes:

FEDERAL TRADE COMMISSION<sup>1</sup>  
FEDERAL COMMUNICATIONS COMMISSION<sup>1</sup>  
NATIONAL LABOR RELATIONS BOARD<sup>1</sup>  
DEPARTMENT OF LABOR<sup>1</sup>  
DEPARTMENT OF STATE<sup>1</sup>  
FEDERAL SECURITY AGENCY<sup>1</sup>  
DEPARTMENT OF JUSTICE<sup>1</sup>  
RECONSTRUCTION FINANCE CORPORATION<sup>1</sup>  
TENNESSEE VALLEY AUTHORITY<sup>2</sup>  
FEDERAL POWER COMMISSION<sup>2</sup>  
BUREAU OF THE BUDGET<sup>2</sup>  
DEPARTMENT OF THE INTERIOR<sup>3</sup>  
VETERANS' ADMINISTRATION<sup>4</sup>  
COAST GUARD<sup>5</sup>  
BUREAU OF FEDERAL SUPPLY<sup>5</sup>  
DEPARTMENT OF AGRICULTURE<sup>5</sup>  
NATIONAL MILITARY ESTABLISHMENT<sup>6</sup>  
POST OFFICE DEPARTMENT<sup>7</sup>

The information supplied in conferences with agency officials or collected by them for our use was supplemented, in the case of our survey on standard specifications and inspection, by field trips to the headquarters of national organizations, and to a number of private corporations which have national reputations for their accomplishments in the field of standardization.

The work program for the Federal Supply Project included a survey and report on the activities of the Government Printing Office. Although a part of the Legislative Branch, this Office wields a potent influence over all agencies in the Executive Branch through its con-

<sup>1</sup> Budget Bureau surveys and surveys made by the Bureau of Federal Supply in cooperation with the Bureau of the Budget, during the fiscal years 1947 and 1948.

<sup>2</sup> Surveys made by the Bureau of the Budget in connection with its Staffing Standards Project.

<sup>3</sup> Surveys of certain bureaus were made by the Bureau of Federal Supply; the other bureau reported through Department of Interior headquarters.

<sup>4</sup> Certain information furnished by the Bureau of the Budget from its survey of storage depot requirements in Veterans' Administration.

<sup>5</sup> Surveys made by staff of Federal Supply Project at headquarters and at selected field points.

<sup>6</sup> Surveys made by staff of Federal Supply Project at headquarters and at selected field points; statistical data also collected through cooperation of the Munitions Board.

<sup>7</sup> Surveys made by staff of Federal Supply Project at headquarters on inspection and specifications; data on supply operations at field post offices furnished through cooperation of Robert Heller and Associates; workload and cost data on purchasing and storage and issue furnished by headquarters staff.

trol of all printing including printed forms, and of all paper and many stationery items if used in the District of Columbia. It was, regrettably, impossible to include the Government Printing Office in our survey, findings, and recommendations; for, despite a clear-cut directive from the Chairman of the Commission, the Commission's executive staff were unable to negotiate the particular entree they considered necessary until after the limited time apportioned to our surveys had elapsed.

On the other hand, the response of all Government agencies included in our investigation to our requests for information was most heartening, and lessened considerably the burden imposed on the staff by limited time, and by almost intolerable working conditions. Without exception, the officials asked to cooperate went out of their way to do so wholeheartedly. Evidently realizing that the collection of data hitherto lacking would be of mutual benefit, they exceeded our expectations in the speed and completeness of their efforts.

## C. Obstacles to an Effective Supply System

### 1. STAGNATING INFLUENCE OF GENERAL ACCOUNTING OFFICE

On the wall of the office of every responsible supply official, particularly of contracting and certifying officers, is figuratively a photograph of the Comptroller General, with a scowl on his countenance. In all matters involving the expenditure of public funds, the Comptroller General has arrogated unto himself the ultimate authority for determining the legality of administrative actions or procedures. Where the particular field is well covered by statutory direction, he assumes the function of interpreting the often conflicting laws; where statutory direction is vague or lacking, he considers it his duty to repair the omission. In the Federal Government, each certifying officer runs an "account", just as if the money had been handed to him in specie for distribution. Therefore, a mere difference of opinion in the interpretation of a statute, a regulation, or even a previous ruling of the Comptroller General results in an "exception"; i. e., refusal to give credit for the item in the certifying officer's account. In fear of such exceptions when their accounts reach the General Accounting Office for postaudit, practically all purchasing officers "play safe" by asking for the Comptroller General's ruling, and thus securing if possible his advance consent, whenever a proposed action deviates in the slightest from the routine procedure or from the procedure previously accorded his sanction. The effects of this situation were cogently set forth by the President's Committee on Administrative

Management; our survey confirms their findings and shows that the situation has not improved since they described it in 1937 as follows:<sup>1</sup>

Before 1921 there was comparatively little complaint that the ruling of the Comptroller of the Treasury, precursor of the Comptroller General, encroached upon administrative discretion. This was probably because the Comptroller of the Treasury was a part of the Administration itself, even though he had semi-independent status, and because of the practice of referring disputed questions to the Attorney General. From 1921 on, however, the Comptroller General, through numerous rulings, has carried his authority into areas which are clearly in the realm of executive decision. Any volume of the published rulings of the Comptroller General affords a wide variety of examples of this invasion of administrative responsibility. Many of his rulings go far beyond the terms of any statute.

Rulings by an independent auditing officer in the realm of executive action and methods, even when they seem wise and salutary, have a profoundly harmful effect. They dissipate executive responsibility and precipitate executive uncertainty. Many of the rulings of the Comptroller General, though issued in the belief that they are in the interest of strict legality, undoubtedly impede the work of the departments and add to their operating costs. Administrative officers have found it necessary to go not merely to their superior officers for the approval of plans but also to the office of the Comptroller General for the approval of legality, form, and procedure. This division of authority destroys responsibility and produces delays and uncertainty. It has become increasingly difficult, and at times simply impossible, for the Government to manage its business with dispatch, with efficiency, and with economic sagacity.

An effective continuing executive control over the administration of the Government to insure economy, legality, and expedition is impossible so long as such wide authority over plans, forms, and procedures is exercised by the General Accounting Office. The Comptroller General has also extended his authority into administrative matters by the expansion of the preaudit (i. e., audit before payment), by the increased use of advance decisions, and by his rulings, all of which have constantly brought more and more administrative questions to him for final determination. The operating plans of the Administration are greatly affected, and sometimes controlled, by his rulings. Fiscal practices are to a large extent governed by his decisions. These are areas of control that are customarily entrusted to executive officers, both in Government and in private business administration.

#### *a. Examples of Restrictive Decisions*

Below are cited some representative illustrations of the effects of the Comptroller General's decisions on operating policies and methods:

*Weather Bureau*.—In June 1941 the Weather Bureau anticipated a need for 30,000 radiosondes (balloons equipped with small radio sets which, during the course of their flight, transmit data on air pressure, temperature, and humidity) during the following fiscal year. It explained to the Comptroller General that aircraft operation was dependent upon an unbroken flow of this data from the 50 or more stations from which these radiosondes were launched daily. It

<sup>1</sup> Report of President's Committee on Administrative Management, January 1937, pp. 23-24.

pointed out the danger in those critical days of having only one source of supply, since radiosondes were not an ordinary commercial article and, in the event of fire or strike such single source might fail. The Weather Bureau proposed, therefore, to advertise for bids, awarding the contract for part of its need to the lowest bidder and endeavoring to negotiate contracts for the balance with one or more other bidders. The Comptroller General disapproved, stating in part:

It has long been recognized that the purposes of the statute (R. S. 3709) can be effectuated only by the awarding of a contract to the lowest responsible bidder; and that is what the statute requires (21 Comp. Gen. 56, 58).

*Department of Commerce.*—When a station wagon was needed by the Department of Commerce, to transport personnel over rough roads and on air fields, the Comptroller General refused to pass a requirement for shatter-proof glass in the windshield on the ground that most manufacturers did not, at that time (1930), include it as standard equipment (9 Comp. Gen. 519). But in 1936, after it had become standard on most vehicles, he still labeled it a "de luxe" item and unnecessary for the protection of Government personnel (15 Comp. Gen. 974, 977).

He declared illegal, in various decisions, proposals for bids on motor vehicles which specified, respectively, minimum weight or wheel-base, a cross-braced chassis, an eight-cylinder motor and various safety and protective devices. In the case of tractors, specifications of minimum weight and pulling power was forbidden (16 Comp. Gen. 464); and the description of marine engines for the Coast Guard was restricted to a simple statement of over-all dimensions, conditions of operation, and requirements of performance. Considerations of economy and efficiency in standardization were explicitly ruled out (5 Comp. Gen. 963).

*War Department.*—The War Department, in a request for bids on carefully specified radio-transmitting equipment, also required that each bid be accompanied by a description of the equipment offered. The low bidder proposed to supply equipment which, from its own description, was clearly not in conformity with the specifications; but its proposal also contained a statement that, wherever the equipment offered differed from that requested, appropriate changes would be made to achieve conformity. The War Department rejected the low bid as not responsive to the proposal. The Comptroller General held that the offer of the low bidder to make his product conform cured any discrepancies in the description; and that, therefore, the appropriation "would not be available" for payment to any other bidder (unpublished decision A-68974, dated Feb. 17, 1936; reconsideration denied May 16, 1936).

The Secretary of War submitted the controversy to the Attorney General, who held that the determination of which is the "lowest

"responsible bidder" is the duty of the contracting officer, not of the Comptroller General (38 Op. Atty. Gen. 555). The War Department then awarded the contract to the next lowest bidder, who, however, because of the time consumed by the controversy, could not complete the contract within the period originally specified. When liquidated damages for the delay were withheld from his final payment, the contractor sued the United States. The Court of Claims held that the delay had been caused by the Comptroller General's decision, that the Government as a whole was responsible; and that the payments withheld from the contractor should be awarded him (*Graybar Electric Co. v. U. S.*, 90 Ct. Cls. 232).

Both the Attorney General and the courts are in agreement that the duty of making administrative decisions rests upon the executive officials who are being paid to make them, and that the interference by the Comptroller General is unauthorized (see *Miguel v. McCarl*, 291 U. S. 442; 38 Op. Atty. Gen. 165; *Goodroads Machinery v. U. S.*, 19 Fed. Supp. 654). However, the Comptroller General, where directly confronted with a court ruling, declares that he will follow the courts only when he thinks they are right (27 Comp. Gen. 432).

It is hoped that the Project on Fiscal, Budgeting and Accounting will recommend a clear-cut distinction between legislative and executive functions which would confine the Comptroller General's role to post-audit and to reports to Congress of his findings, with recommendations for further investigation or legislative remedies.

## 2. PERSONNEL PROBLEMS

Partially stemming from the strait-jacket imposed by the Comptroller General, many officials charged with supply responsibilities have adopted a defeatist attitude toward any change in procedure or toward the adoption of any method which has proved workable in private business, if such would mean getting out of their routine rut. To secure the consent of the General Accounting Office to take any unusual action, requires elaborate preparation of a carefully documented statement, with supporting details explaining the proposed action and justifying it with all possible persuasion. To do so takes time; and most supply officers are so bogged down in the processing of forms and the preparation and approval of records required by other decisions and by regulations that they literally do not have the time to explore short cuts, to investigate better ways of performing their function, or to find out what others are doing in the same field outside the Government. This is particularly true in purchasing, where the emphasis is on form rather than substance and on ritual rather than realism.

Since the function of supply generally lacks glamour and seldom

achieves headlines, those responsible for its performance sometimes adopt the attitude that they are working in a dead-end street and have nothing to anticipate except retirement. Under prevailing salary restrictions, they cannot hope to achieve a large monetary reward. Furthermore, the Civil Service regulations offer little inducement to specialization nor do they stimulate a forward-looking attitude. Unfortunately, the surest way to promotion and a salary increase is to become the supervisor of a large staff. This inevitably encourages "empire building" and the conjuring up of more procedures and record keeping with their ever-present concomitant of additional forms to process. Another and equally certain means to advancement is political "pull" and influence.

On the other hand, an employee may, and many do, enter the Federal service with high ambition to render real public service and to make a record of achievement as an authority in some specialized subject; only to find that advancement is next to impossible unless he abandons his specialty and becomes a "generalist," doing as best he can whatever work comes within the job description of the higher grade. Another hazard to advancement is the rule of seniority.

An employee is in frequent danger of being "bumped" or down graded when budget allowances are cut, to make a place for someone who may not have any specialized knowledge but who has more years of service. Thus in a period of contraction of personnel, the best employees may be the first to be released or to be reduced in rank or salary.

Furthermore, an employee who has diligently studied his work as a buyer of machinery may, upon advancement, find himself a buyer of stationery; or he may have to abandon entirely his ideas of specialization and become an administrative supervisor, in order to gain a respectable income. In the role of supervisor, it is incumbent upon him to study and master the considerable list of things which are prohibited by law, regulation or decision; and he then almost inevitably resigns himself to stalemate or retrogression.

It is to be hoped that the study of, and recommendations on Federal personnel management by another project of this Commission will point the way to a thorough overhaul of the personnel situation. Without it there can be only limited optimism for an efficient supply system. It is of the utmost importance that supply specialists be brought into the Government service and paid salaries commensurate with those paid in private business for corresponding aptitude and experience; that those enterprising employees already in the service be given an incentive to become specialists and be given the opportunity to study private business methods at first-hand, for application to their own problems; and that promotion, advancement and salary be based solely on the responsibility and importance of the work performed

rather than on knowing the "right people," on the number of employees supervised, or on conformity to a job description which is an unrealistic hodgepodge of polysyllabic words put together in classification jargon.

### 3. BUDGETARY PROCESS AND APPROPRIATION PATTERN

It is also hoped that the Project on Fiscal, Budgeting and Accounting will suggest some practicable simplification of the budgetary process and the appropriation pattern. Under prevailing conditions, the budget officials in the agencies are required to estimate their requirements in supplies, materials, equipment and transportation costs for a period extending almost 2 years into the future. Even with meaningful records to work with, which he seldom has, the budget-making official is at a disadvantage in attempting to predict and to anticipate requirements so far in advance, in view of price fluctuations and the unanticipated changes in program which may spring suddenly from a congressional mandate or a revised defense policy.

Then, too, the policy of making lump-sum appropriations for matériel encourages budget "guesstimates." When the vast preponderance of the annual operating budget was for personal services, there grew up a rigid procedure for requiring detailed itemization, with supporting data, for personnel requests. Matériel, transportation, etc., were classified as "Other Expenses," and were requested and granted in lump-sum appropriations.

Only in the exceptional case, usually in connection with an entirely new operating program, is the requesting agency required or expected to submit detailed justification for supplies, materials, equipment and the "other expenses." On these items, most agencies, consequently, take the preceding year's request, compare it with the current appropriation, and add a large increment as a "cushion" against anticipated reductions by the Bureau of the Budget and by the Congress.

#### *a. The Appropriating Process*

After the submission of such "guesstimates," a long and costly process of appearances and testimony begins, proceeding from hearings at the Bureau of the Budget to hearings before the House Appropriations Committee, and frequently marked by added hearings on appeals to the Senate against drastic House reductions. The Budget hearings are usually concentrated on personnel, with limited attention or time devoted to scrutiny and question and answer on "other expenses." When, at long last, the appropriation bill is passed and becomes law, it is little wonder that each agency looks upon the funds wrested from Congress by dint of so much effort as "our money" rather than the taxpayers' money. There is little doubt that the arduous

budgeting and appropriating process contributes materially to the widespread, unwritten policy of somehow obligating all unexpended balances at the close of each fiscal year.

Once appropriated, the funds may be spent so long as their expenditure is in accordance with all the prescribed rigamarole of form and procedure. The agencies, therefore, try to see to it that none of the funds so dearly won are unobligated on June 30 of each year, lest in next year's budget they may not receive enough actually to meet their needs. Accruals in personal service funds, and balances in any other appropriation account can be, and are, spent for supplies, materials, and equipment. Such "end-of-the-year" spending, disregarding stocks on hand or actual needs, should and can be controlled by the required maintenance of proper records and by a simplification of the appropriating process.

#### *b. The Appropriation Pattern*

The present multiplicity and variety of appropriations also add to the general confusion and lack of facts concerning how much has actually been spent during any given fiscal period. Most appropriations either remain "open" for 2 years following the end of the applicable fiscal year, during which period the obligation results in a disbursement, sometimes accompanied by litigation, adjustments, and many changes in the contract; or are held open until all the money is spent or the special project involved is completed.

For a long period after the disbursement occurs, all files and records must be maintained for action on "exceptions" taken, or adjustments ordered, by the Comptroller General on post audits, a fact which accounts for much of the acreage of office and storage space occupied by files in Government buildings. In the face of this situation, it is indeed a courageous fiscal officer who will certify to the actual remaining balances in appropriation accounts within the past 2 or 3 fiscal years.

Eventually, it is believed that the Government will be compelled, in the interests of economy and efficiency, to make drastic changes in the appropriating methods. Unless the budgetary segregation by objects is enforced, and unless the spending of appropriation balances from any budget line for any other and different purpose can be stopped, it would be much simpler from the accounting point of view, and much less costly in paper work, to make one lump-sum appropriation to each agency. It may sometime even be considered feasible to make lump-sum appropriations, without regard to fiscal years, for the whole of the Government's requirements in supplies, materials, equipment, transportation costs, and "other expenses."

This sum could be controlled by allotments made periodically to

each agency by the Bureau of the Budget upon the submission by such agency of a statement of its expenditures during the past allotment period, its available balance in stocks and other assets, and its actual additional needs for the ensuing allotment period. Such statements could be audited by the Comptroller General and reported to Congress, to accompany requests from the Bureau of the Budget for the funds needed to replenish such appropriations. By this method, budget planning would be concentrated on immediate work programs, and budgeting would become an all-year-around process instead of an annual guessing contest.

#### 4. LACK OF REALISTIC RECORDS

No one could in fairness state that the Government fails to compile records. But in the field of supply useful and realistic records are conspicuous by their absence. A budget estimate for supplies, materials, and equipment is bound to be a "guesstimate" unless data are available to show the prices paid during the current period and the probable price trend during the future budget period; the consumption during the current period and stocks on hand evaluated in terms of the anticipated expansion or contraction of the operating program; and the quantity and condition of equipment in use and its expected replacement date. In most branches of the Government, however, particularly the nonmilitary, such tools for budget and program planning are not available, either to the agency budget office, to the Bureau of the Budget, or to the Congress.

Even more startling is the fact that standards for measurement of cost or work load in the field of supply have not been developed. Very few agencies maintain records of the total overhead costs of purchasing, of storage and issue, or of any of the other elements of the supply system. In those agencies which do, the records usually fail to take into account either the costs of supervision on an agency-wide basis, or of overhead expenses other than for personal services. Workload yardsticks are essential for measuring and appraising the output of the individual employee, for efficiency ratings, for proving charges of inefficiency, and for maintaining some semblance of morale and discipline in administration, as well as for budget planning.

But such yardsticks are conspicuous by their absence. Nor does the Bureau of the Budget have measurement standards on a comparative, Government-wide basis, with which to evaluate the reasonableness of budget requests on personnel required for the various supply activities. If Government were a competitive business, measurement standards would perforce be maintained as essential to accurate cost records and to provide a method for determining where operating costs were excessive and could be pruned. They must be developed and applied if the Government's budgeting process is ever to be on a scientific basis.

#### *a. Efforts to Collect Cost and Work-load Data*

Fortunately, a propitious start has been made in the right direction. The response of both civilian and military agencies to the request of the Federal Supply project for data on operating costs indicates their awareness of the need for, and of the potential value of regular collection and maintenance of such records. Given twice as long, this project could probably have collected and presented in this report accurate figures on costs, expenditures, personnel, inventories, and other information on a total, over-all basis. The fact that all citations of such data in this report are qualified and surrounded by exceptions illustrates very clearly the vacuum which now exists; and also points up the urgent need for showing each taxpayer what becomes of his contribution to the supply dollar.

Concurrently with the work of the Federal Supply project, the Bureau of the Budget embarked upon an attempt to collect work-load data as a basis for establishing staffing standards in purchasing and in storage and issue. We have lent all possible aid and encouragement to that effort; have been supplied with summaries of the data furnished by the agencies; and through the courtesy of the Bureau of the Budget have been permitted to refer to such data in our detailed reports on purchasing and on storage and issue. It is of the utmost importance that the Bureau be given adequate staff and funds to continue its efforts in this direction and to include other supply operations as soon as possible. Staffing standards for the Government will admittedly have to be applied for a few years with discretion and with due regard for widely varying conditions. Nevertheless, the development and application of work-load yardsticks are essential to realism in budget and operations planning.

An attempt was also made, with the aid of the Bureau of the Budget, to analyze the true and total costs of purchasing and of storage and issue in the Bureau of Federal Supply, the Post Office Department, and the Tennessee Valley Authority. The several principal processes involved in purchasing and storing were agreed upon and defined. The officials in these agencies cooperated enthusiastically in the attempt to ferret out the costs for personal services and "other expenses" chargeable to each of these processes throughout the whole organizations. Nevertheless, the results were so inconclusive that they are omitted from this report.

The time and effort were, however, by no means wasted. They show that total costs of purchasing and of storage and issue cannot be computed without taking into account the very considerable elements of supervisory and administrative overhead and "other expenses"; and that costs excluding such elements are not true costs. They also demonstrate the need for the development, by the Treasury

Department, of a simple cost accounting system or systems for installation and use by all agencies. The products of cost accounting records would be of inestimable value to any cost-conscious administrator as well as to the Bureau of the Budget and to the Congress.

### 5. SURPLUSAGE OF UNNECESSARY RECORDS

In an entirely different category are the mountainous records surrounding transactions which involve transfers or disbursements of public funds. Here superabundance prevails. Treasury and General Accounting Office regulations, supplemented by agency regulations, result in the compilation at great cost of duplicate sets of records on most types of transactions—one set remaining with the agency originating the transaction and filed for years; the other ending its tortuous path in the General Accounting Office, which audits it and files it permanently.

The myriad regulations governing the custody of expenditure of funds are seemingly based on the premise that all employees are congenital crooks; whereas, there is probably nowhere to be found a group more honest in money matters than Government employees. Each infrequent discovery of peculation or graft generally leads to a tightening up of regulations, compliance with which costs the tax payers ultimately a thousandfold more than the malfeasance itself.

#### a. Documentation of Purchases

In purchasing, for example, the various regulations require almost the same procedure and the same elaborate documentation for a transaction of \$101 as for one of \$1,000,000. They necessitate the preparation and approval of a requisition (purchase authority) and the encumbrance of funds in the proper appropriation account; the solicitation, opening, and tabulation of competitive bids; the issuance of a purchase order to the lowest bidder; proper evidence of receipt of the merchandise; an invoice; a voucher; and the signatures of the vendor and of the certifying and disbursing officers. Consequently, the "red tape" and "paper work" on thousands of small transactions cost the taxpayers more than the purchase price of the goods and thus more than double the costs. In the detailed report on purchasing are shown some illustrative charts of the complicated procedure now followed on typical purchase and stores transactions, with suggestions for radical simplification. Millions of dollars could be saved each year in personnel and other costs through the elimination of unnecessary procedures and documentation, especially on small purchase and stores transactions.

### *b. The Forms Problem*

To conform with regulations, most employees in any of the supply activities are forced to work in a veritable maze of forms. No one knows how many different forms are used; but they number thousands in type and millions in quantity. The cost of the forms is huge; but small compared with the salaries of the personnel who process them. The regulations must be overhauled as the first step toward simplicity in procedure and a change in attitude. The Bureau of the Budget should be encouraged and staffed to expand greatly its work in devising and promulgating standard forms in lieu of the multiplicity of nonstandard forms, which often vary from one bureau to another in the same agency, although used for identical purposes.

As an aid in the field, the Bureau of the Budget has recently issued a Management Bulletin on "Simplifying Procedures Through Forms Control," suggesting a method whereby each agency can restrict the number of forms to the minimum required. The Bureau, however, should be encouraged to police the use of this bulletin by first-hand examination of the forms situation in each agency, and should work out with responsible administrative officials simpler procedures and work methods whereby many forms could be eliminated. Such aid from an outside and impartial source is necessary. For most administrative officials are confronted with stubborn resistance to the curtailment of forms. It is almost axiomatic that few things are easier to accomplish in Government than the introduction of a new form, and that few things are more difficult than its abandonment.

### **6. UNBALANCED STATUTORY SITUATION**

The elaborate procedure for purchasing stems from a short statute passed in Civil War days (secs. 3709 and 3710, Rev. Stat.), which has been until recently very sparingly amended. The statute has been buttressed on every side by copious regulations and has been the subject of countless decisions of the Comptroller General. On the other hand, almost no legislative sanction or direction exists for other phases of supply such as storage and issue, traffic management, standard specifications, inspection, or commodity cataloging; and very limited regulations are to be found on these subjects.

Except for regulations of some individual agencies, there are only limited legal requirements for handling or accounting for property after its acquisition—until it is ready for disposal as surplus, excess, obsolete, or scrap. On the subject of disposal of personal property, the Congress has not been niggardly in its legislative output. As shown below in the summary report on Property Utilization, there are at least 360 special statutes on this particular phase of the supply function.

The cure for this unbalanced situation would appear to be the enactment of a personal property management act which would provide the basic principles for a supply system; would repeal the hodgepodge of existing statutes; would also clear the books of restrictive and often conflicting decisions and regulations; and, most important of all, would provide supply officers with a steering chart for a progressive course as a substitute for the present becalmed status. An outline of such proposed act and of other recommended legislation is provided at the end of this summary report and is repeated at the conclusion of the detailed report.

#### D. Present Departmental Supply Organizations

Nothing resembling a standard form of organization for supply is to be found in the executive agencies. Except in the Navy Department, the various elements of the supply system were not found to be organized and administered as a separate and distinct function. The various organizations run the gamut from centralized to decentralized control.

Several charts follow which illustrate the varying types of departmental supply organizations. The Department of Agriculture (chart I) controls the broad policies and handles major transactions at the Washington headquarters through the Office of Budget and Finance and the Office of Plant and Operations; while the policies are carried out through the several bureaus with field offices throughout the country. Chart II shows the supply organization in the Department of the Interior as an illustration of an agency with Nation-wide field operations, but with the responsibility for the supply function almost completely decentralized to the various bureaus. The Washington headquarters exercises very limited control, and then only on very general policies, through the Division of Budget and Administrative Management and the Division of Administrative Services. The organization for supply in a small agency with all its supply staff concentrated at headquarters is illustrated by that of the Federal Power Commission (chart III).

Charts IV, V, and VI show the supply or logistics organization in the Departments of the Army, Navy, and Air Force, respectively. In the Army and Air Force, procurement, supply, and service are coordinate but separate elements of the logistics organization; while in the Navy there is an integrated supply system, in which are combined as a unified function all those phases of supply discussed in this report, except inspection and the development of standard specifications. Distinctions between the three military supply organizations are pointed out on following pages in the summary and detailed reports.

# CHART 1

## Organization for Supply—Department of Agriculture

### SECRETARY OF AGRICULTURE

#### OFFICES, BUREAUS AND AGENCIES OF THE DEPARTMENT

Under such limitations and instructions as they may prescribe, agency heads and bureau chiefs may delegate to competent employees in their Washington and field offices open market purchasing authority and (with the concurrence of the Director of Finance) contracting authority (usually not in excess of \$10,000); Departmental control is maintained for the procurement of certain special items.

Centralized control and management of procurement and related functions in offices, bureaus and agencies is generally accomplished through a procurement officer.

#### OFFICE OF BUDGET AND FINANCE

The Office of Budget and Finance (in addition to other functions) serves as a staff office of the Secretary in overseeing, coordinating, and supervising the budgetary and financial affairs of the Department, including procurement management, purchasing, sales, warehousing and related activities; formulates and promulgates Departmental procurement policies and procedures; conducts surveys of bureau and agency procurement and supply activities; formulates and promotes property utilization, allocation and other standards for the supply activities that require them; awards contracts in excess of amounts delegated to bureaus and agencies; gives direction and guidance to the Area Agricultural Equipment Committees in Department-wide property utilization and disposal of surpluses; and acts as the central point of contact on procurement and related matters.

#### REGIONAL, DIVISIONAL, STATION AND OTHER OFFICES (Outside of D. C.)

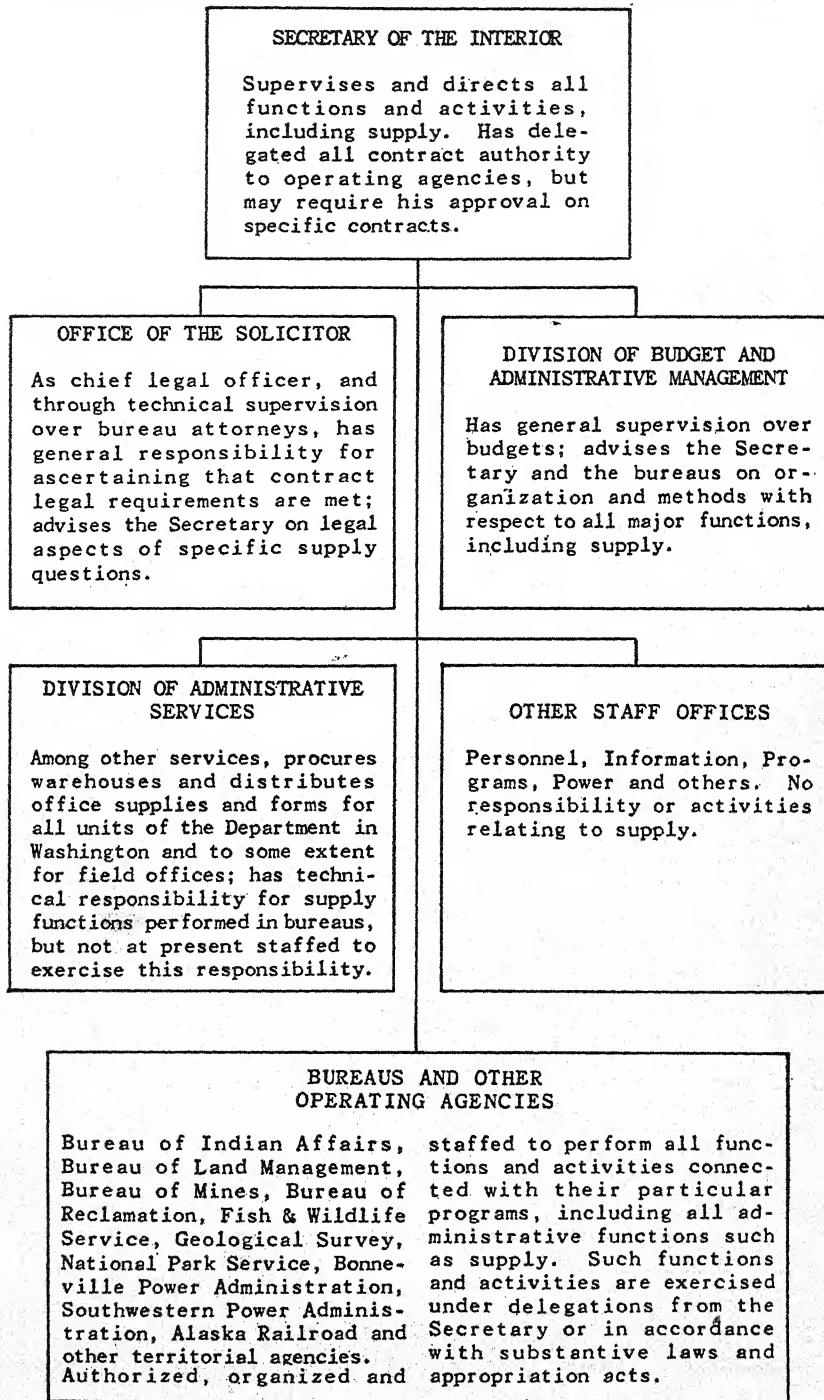
Program and supply operations are coordinated by performing locally, under delegated authority, purchase, sales, traffic and related procurement functions--utilizing to the extent economical and feasible existing contracts or Government stocks from available sources, such as governmental surpluses, USDA Central Supply Division stock, Treasury Department, Bureau of Federal Supply warehouse and supply centers, Federal Supply Schedule contracts, Federal Prison Industries, Inc. products, Government Printing Office services and stocks, etc.

#### OFFICE OF PLANT AND OPERATIONS

Among other functions, performs a central purchasing service for those bureaus and offices in Washington which do not maintain staffs for that purpose, and operates a central storehouse to meet the requirements of the bureaus and offices of the Department in Washington and at field stations where economical and feasible.

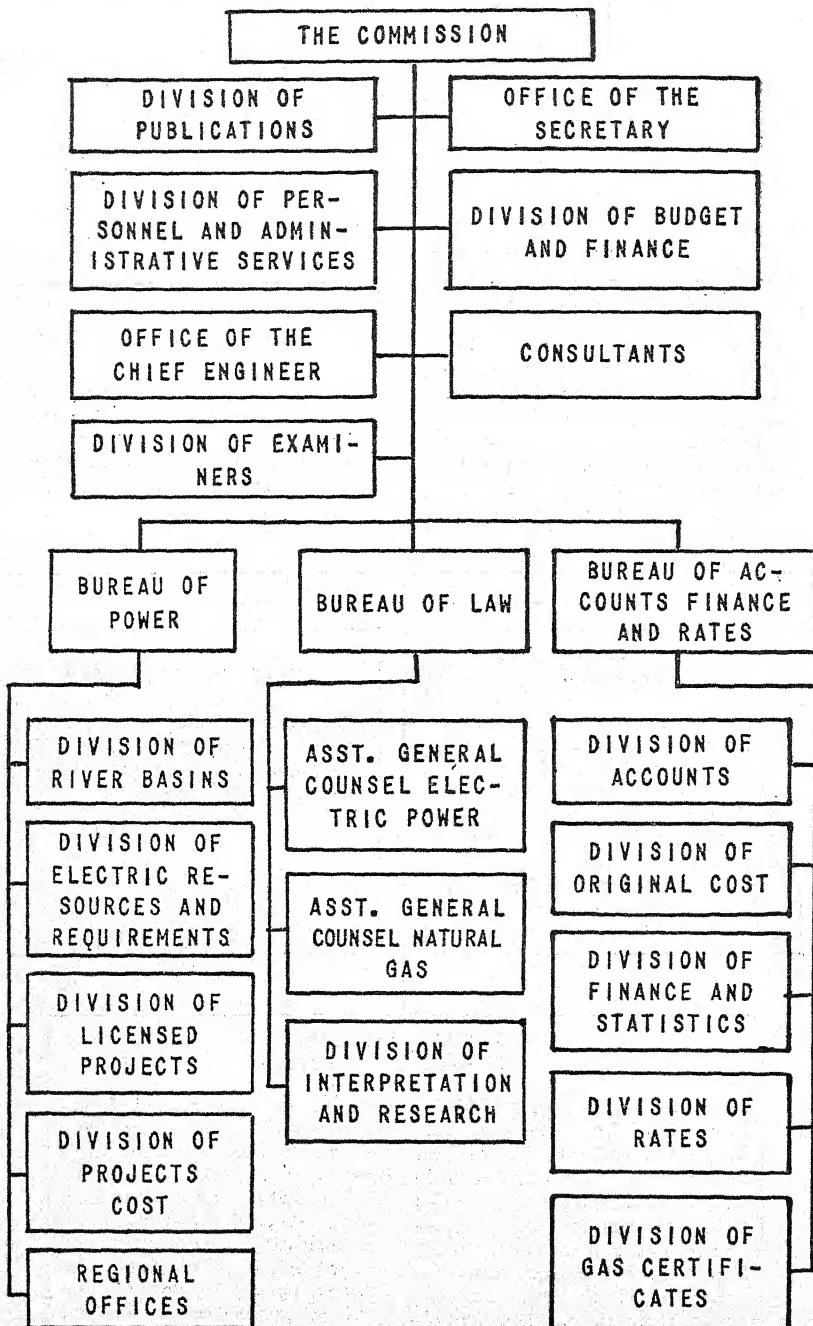
## CHART II

### Organization for Supply—Department of Interior

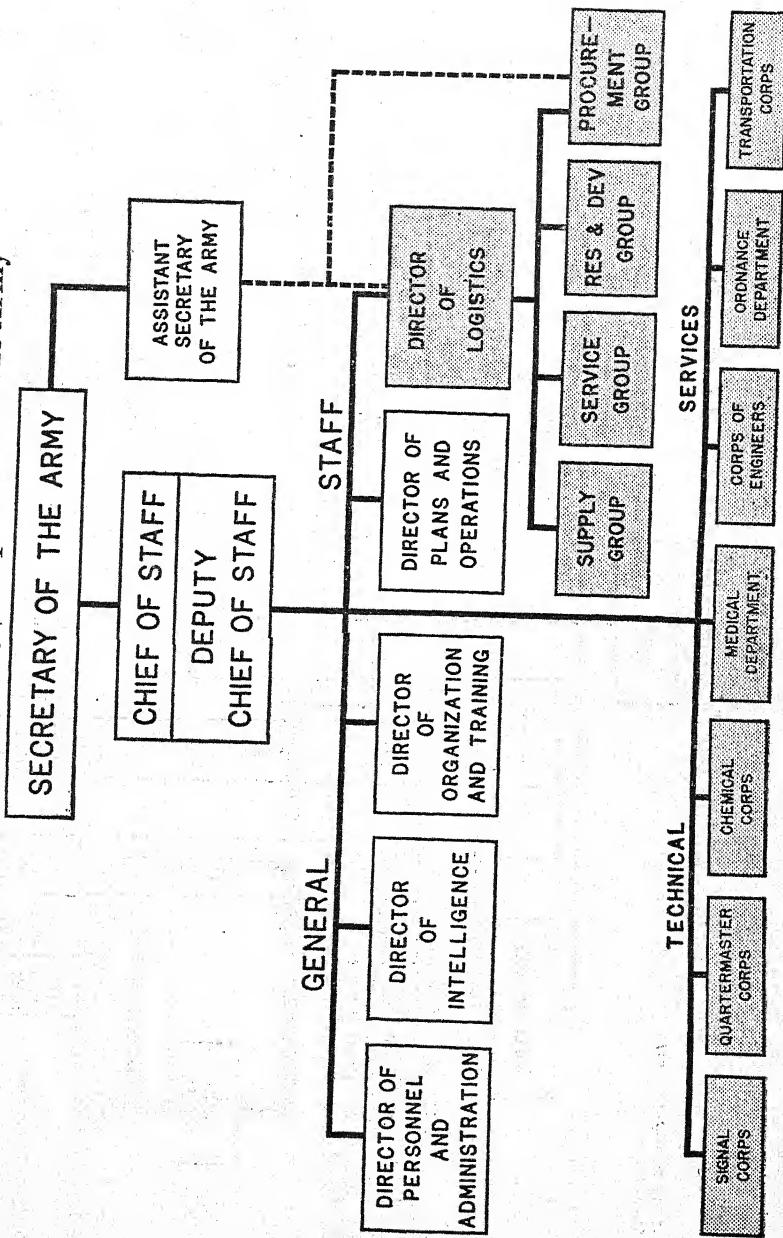


### CHART III

#### Organization for Supply—Federal Power Commission



**CHART IV**  
**Organization for Supply—Department of the Army**

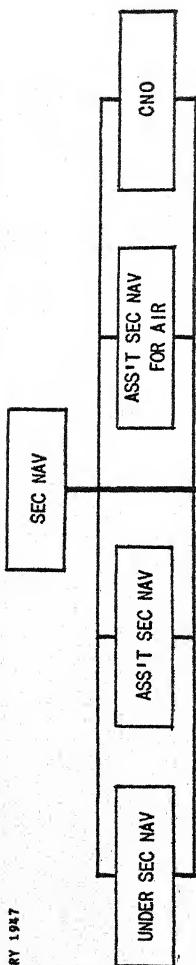


## CHART V

### Organization for Supply—Department of the Navy

APPROVED, 14 FEBRUARY 1947  
BY SEC NAV

22

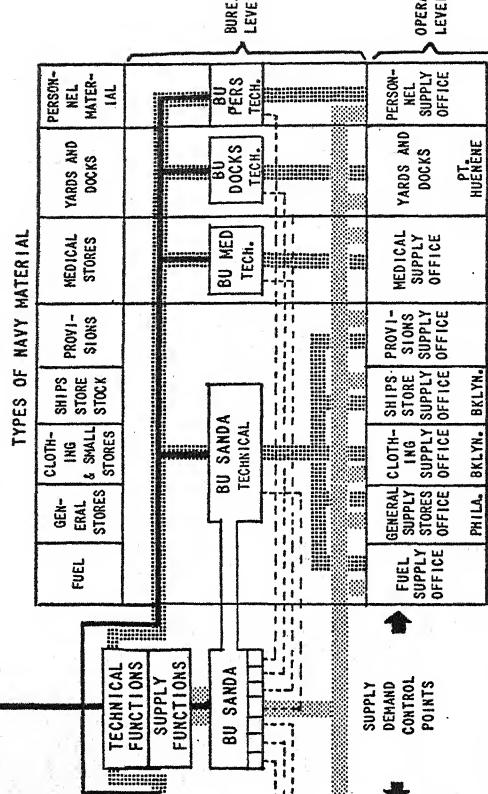


#### TYPES OF NAVY MATERIAL

HULL & LIGHT MACHIN- ERY EQUIP- MENT	IN- TERNA- LIAL EQUIP- MENT	MOTON COM- BUSTION PARTS	BUSHIPS GIRO PICTURE EQUIPMENT	SUB MARINE EQUIP- MENT	AVIA- TION ORD- NANCE MATER- IAL	ORD- NANCE EQUIP- MENT
SEARCH- LIGHT	IN- TERNA- LIAL EQUIP- MENT	MOTON COM- BUSTION PARTS	BUSHIPS GIRO PICTURE EQUIPMENT	SUB MARINE EQUIP- MENT	AVIA- TION ORD- NANCE MATER- IAL	ORD- NANCE EQUIP- MENT

#### TYPES OF NAVY MATERIAL

FUEL	GEN- ERAL STORES	CLOTH- ING STORES	SHIP- MENTS & SMALL STORES	PROVI- SIONS	MEDICAL STORES	PERSON- NEL MATER- IAL



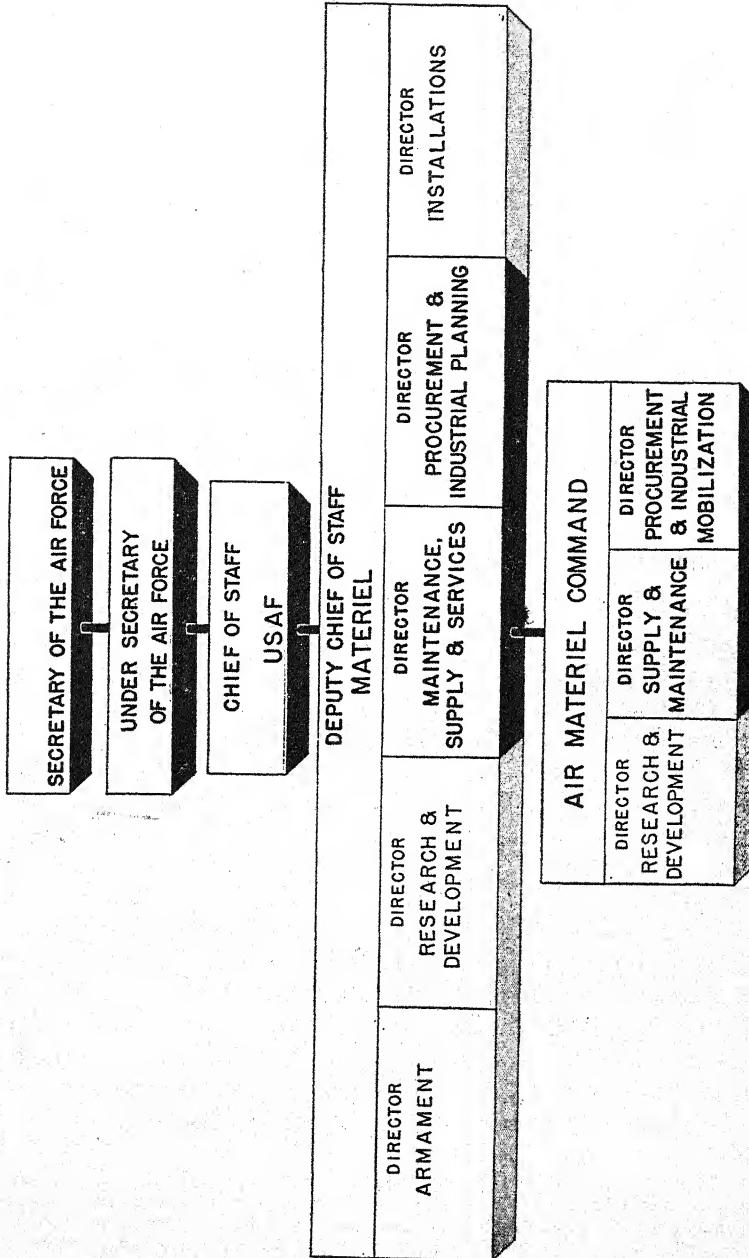
#### LEGEND:

- Liaison
- Technical Functions
- Not Applicable at Present Time

#### FIELD SUPPLY ACTIVITIES

## CHART VI

### Organization for Supply—Department of the Air Force



## E. Recommended Supply Organization

We are convinced, by our study and investigation, that the supply problem of the Government is too vast and diversified for centralization in operations. We also are convinced that the supply problems of the military services are sufficiently diverse and are so intimately related to national defense, as to justify separate handling of technical and tactical items. On the other hand, there is a large range of common-use items which are susceptible to centralized operation, either for the civilian or for the military agencies; and, furthermore, in this list of common-use items there are many which could and should be handled by one single organization on a Government-wide basis.

The long-range objective is to reduce to the minimum the number of separate offices engaged in purchasing; the number of storehouses, depots or other distributing points; and the number of employees working at the several phases of supply. A concomitant long-range objective is the maximum simplification of the costly and useless paper work which now characterizes supply processes.

### 1. CENTRAL SUPPLY ORGANIZATION

It is recommended that there be established a Central Supply Organization<sup>1</sup> in the Executive Office of the President. The Central Supply Organization should by statute be empowered to carry out the responsibilities now rather tenuously vested in the Bureau of Federal Supply by Executive Order No. 6166; and should, in addition, have authority to determine policies for all elements of the supply function in all civilian agencies, including those in the legislative and judicial branches, and the Government-owned corporations. (For though they be relatively limited in scope, the problems of supply in the legislative and judicial agencies and in the corporations are close counterparts to those of the executive agencies; and in the aggregate they present a sizable area for potential economies.) To determine compliance with its policies, rules, and regulations, the Central Supply Organization should be provided with a small but able staff to conduct administrative audits and surveys of the supply operations in the civilian branches of the Government.

When it can demonstrate that economy, efficiency, and improved

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<sup>1</sup> The name "Central Supply Organization" has been selected as best descriptive of the scope of authority and the responsibilities of the recommended agency. For purposes of organization and administration, a preferable name would be "Bureau of Federal Supply." This would place it on a coordinate basis with the Bureau of the Budget, with which there should be the closest possible teamwork. We cannot, however, conscientiously recommend an expansion of functions and authority for the Bureau of Federal Supply of the Treasury Department, unless and until that organization has been thoroughly overhauled and unless the overhauling results in a shift of policy and attitude from jurisdiction to service.

service would result, it should have the power to make assignments, to the best qualified agency, of the responsibility for carrying out a supply activity for all civilian agencies; or should itself assume the responsibility. The Central Supply Organization should be the policy-determining and coordinating agency in the field of supply.

To that end we recommend that it be given the responsibilities listed on the following chart (chart VII), which are discussed in some detail in subsequent sections of this summary report and at greater length in the detailed report. Chart VII is intended to suggest a logical grouping of activities, but not the precise organization structure.

#### *a. Location*

To discharge these responsibilities effectively, the Central Supply Organization should be a part of the Executive Office of the President. Such location is deemed necessary to give the organization the prestige and authority required to command respect for and compliance with its policies, rules, and regulations among the other agencies of the Government.<sup>2</sup>

The rather halting and ineffective efforts of the Bureau of Federal Supply (formerly the Procurement Division) in the coordination of certain supply activities is, in part, traceable to its lack of a clear-cut mandate from the Congress; and also, in part, to its location as a bureau in the Treasury Department. It is difficult for any Cabinet officer, for example, to refrain from appealing to a fellow Cabinet officer, or to the President, when one of the bureaus of an executive department takes action interfering with time-honored practices in his own organization. It is correspondingly difficult for a Cabinet officer to resist such appeal from a fellow Cabinet member. Consequently, the Bureau of Federal Supply is constantly haunted by fear, not only of the lack of jurisdiction to carry out its designated duties, but also that the Treasury will not back up its policies against protests from other agencies. By contrast, it is obvious that the directives and policies issued by the Bureau of the Budget carry great prestige and are widely complied with because they emanate from the President's Office and in many cases represent his personal wishes and opinion. Since supply is also a staff function which cuts across departmental lines and likewise affects all agencies, it follows that compliance with

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<sup>2</sup> It is assumed that the projects reporting on other staff functions, such as budgeting and personal management, will also recommend that coordination and policy determination in these fields likewise be lodged in the Executive Office of the President; and that the project reporting on the Office of the President will recommend that the President appoint an assistant who would actively supervise such staff or administrative services in behalf of the President, thus relieving him of the many time-consuming and exhausting details of administration which now are a part of his overwhelming responsibilities.

policies is dependent upon their promulgation by, or on behalf of, the head of the executive branch of the Government.

From the above it should not be concluded that centralized coordination and policy determination in Federal supply is unworkable. A truer appraisal is that, after 14 years of bungling administration and uncertain leadership in the Procurement Division (now the Bureau of Federal Supply), the plan still awaits a fair trial. The Procurement Division was evidently modeled, organizationally, after the Bureau of Supplies and Accounts of the Navy. Elaborate channels of authority are of doubtful validity in any organization. They are doomed to failure with a civilian staff lacking military discipline. Sporadic attempts at reorganization have not cured, and will not cure the basic difficulty.

Although the present administration of the Bureau of Federal Supply has inherited an unsatisfactory situation, and is therefore not wholly at fault, it is blameworthy for having allowed the situation to continue. The supervisory structure is top-heavy with several strata of authority separating the workers from the work planners. There is little wonder, then, that morale is low; discipline is nonexistent; and policies are evanescent.

Any staff agency, to be successful, must place service above self-interest. It has no excuse for existence unless it can render better service to the agencies than they can perform for themselves, and at lower cost. It is firmly believed that the Central Supply Organization, if properly organized and based on service instead of authority, can achieve that aim, with resultant economy and efficiency throughout the Government.

#### *b. Administrative Staff*

The effectiveness of the Central Supply Organization will be dependent in large measure upon the method of selection and appointment, and the qualifications of the top-level administrators. These men should be selected solely on the basis of their specialized qualifications and prior experience. The Assistant to the President should appoint the head of the organization, who should in turn appoint his division and branch chiefs. The administrative hierarchy should be imbued with the spirit of public service and should be disinterested in personal fame and aggrandizement or in political advancement; and they should be paid salaries commensurate with comparable positions in private business.<sup>3</sup>

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<sup>3</sup> It is hoped that the project reporting on personnel management will devise and recommend the necessary changes in personnel policies and regulations which will permit individuals to be selected and appointed in compliance with a written delineation of qualifications, without regard to the present preferences and restrictions but with the security of tenure now enjoyed by members of the classified service.





Specific recommendations are given below for salaries of all the policy-determining officials in the central traffic agency, which, as shown on chart VII, is proposed as a constituent part of the Central Supply Organization. Specific salary recommendations are also made for the head of the Central Supply Organization and for his immediate staff of supervisors. It is strongly recommended that salaries for such positions be considerably above the present low ceiling, which now requires that an individual transferring from private to public business either have an independent source of income or be so fired with zeal for Government Service as to enjoy living in pinched circumstances.

The appointment of supply administrators at salaries higher than the prevailing ceilings will at first increase the gross salary obligations of the Government; but in a short while they will be able to effect huge savings through the elimination of duplicate staffs and facilities and through the simplification of supply processes. The Congress should realize that the introduction of sound principles of private business to the public business entails the adoption of one principle which has proved its merit in our private economy time without end; and that is "spend money to save money."

## 2. MUNITIONS BOARD

The National Security Act of 1947, implemented by directives from the Secretary of Defense, has established the Munitions Board on a much wider sphere of responsibility and, among its other functions, has made it the central coordinating agency for supply policies in the National Military Establishment.<sup>4</sup> We believe that its current program, as defined in the June 9, 1948, directive from the Secretary of Defense, is definitely pointed in the right direction. We recommend, however, that its charter be further expanded to cover all phases of supply and to include the functions shown on chart VIII following.

We do not presume to suggest or to recommend how such responsibilities shall be grouped and organized for administration; nor does chart VIII contemplate the establishment within the Munitions Board of a separate section for each of the elements of the supply function. Its purpose is to show, under each supply element, the nature and extent of the coordinating authority which should be exercised by the Munitions Board. Chart VIII and our discussion and recommendations are limited to those phases of the work of the Munitions Board concerned with logistics; they do not touch upon mobilization of man-

<sup>4</sup> It is believed that the Munitions Board would find less resistance in the military departments to its program of supply coordination if its name were changed to reflect more accurately its functions, which extend far beyond the matter of munitions. Mobilization and Logistics Board is offered for consideration.

power, productive capacity and related aspects of planning for a national emergency.

We recommend that the powers and functions of the Munitions Board be more clearly defined, in language which is unmistakable. To insure that result, we suggest that the National Security Act of 1947 be amended to empower the Secretary of Defense to delegate to the Munitions Board the necessary broad authority, not only to coordinate, but also to integrate the organizations and procedures for the various phases of supply in the constituent departments of the National Military Establishment. It should also be authorized to recommend a workable plan for the consolidation of the Marine Corps supply system with that of the Navy; to integrate the supply operations and organization of the Coast Guard with the Navy; and to suggest, at the proper time and after supply assignments have eliminated the current duplication and overlapping, a Department of Supply for the military services, comparable in function to the Central Supply Organization now recommended for the civilian agencies.

Before it can carry out successfully its current work program, let alone undertaking a broader responsibility, the Munitions Board will of necessity have to simplify its organization structure and the complex channels of authority through joint committees which now clog its operations.

The qualifications and salaries of policy-determining personnel, both military and civilian, in the Munitions Board are of equal importance with those in the Central Supply Organization, and should be similarly handled. The problem of military personnel in the Munitions Board, as well as in the supply organizations of the military departments, would be put on a more satisfactory basis if the Army and Air Force were to adopt the Navy's policy of recognizing supply as a separate career service for those who have proved their interest in, and aptitude for specialized work. A uniform policy in the National Military Establishment would lessen the disruption in administration which now occurs when Army and Air Force officers, after a tour of duty in logistics, are suddenly transferred to another and different assignment and are replaced by officers who may be expert in wholly unrelated subjects.

### 3. INTEGRATION OF CIVILIAN AND MILITARY SUPPLY PROBLEMS

Although, as indicated on chart VII, the Central Supply Organization would help to develop policies which, in traffic management and other matters, are to be Government-wide in scope and effect, it is essential that the National Military Establishment be a partner in the development of such policies.

It is therefore assumed that the Assistant to the President, who would supervise the several staff functions in behalf of the President,



would organize and act as chairman of a supply policy committee, the other members of which would be the chairman of the Munitions Board and the director of the Central Supply Organization. Such committee should not be formalized by statute; but should be an informal body to develop supply assignments and policies, rules and regulations on supply problems common to both military and civilian agencies; to recommend procurement responsibility for special programs, such as stock piling or foreign relief; and to settle any disputes which may arise in connection with the integration of the civilian and military supply systems.

Charts VII and VIII (following pp. 26 and 28) indicate the membership and the duties of the suggested supply policy committee. They indicate, too, that the Federal Specifications Board, representing both civilian and military agencies, should be continued as the body through which standard specifications for common use items will be developed; and also show the proposed establishment of a Federal commodity catalog board, representative of both civilian and military agencies, to develop the classification and nomenclature of the Federal commodity catalog, and also the rules and regulations making mandatory its use in the supply systems of all agencies.

Through such interdepartmental cooperation and teamwork, it is believed that, in the area of common use items, and in those fields where uniform policies are practicable and in the public interest, the supply problems of the military and civilian agencies of the Government can be successfully integrated; and that simplification and economy will thereby replace the present complex and wasteful situation in the field of supply.

#### 4. AGENCY SUPPLY ORGANIZATION

Of equal importance to the establishment of a Central Supply Organization is the development of integrated supply organizations within the various separate agencies of the Government. As shown on chart VII, the Central Supply Organization, when properly organized and when able to demonstrate potential savings, will be engaged in operations as well as in coordination and policy determination. It would perform the majority of the supply activities for those smaller agencies with concentration of staff at the Washington headquarters.

Such action could, it is believed, be taken within a short time after the Central Supply Organization is established. Likewise, the Munitions Board, if empowered and organized to discharge its program, will be able in a short time to curtail the staff and organization of the military departments, through assignments to the best qualified services of the various segments of the supply function. Nevertheless,

there will remain in all agencies important residual phases of supply, the performance of which will require an organization.

In all agencies, civilian and military, that carry on Nation-wide or far-flung operating programs, it is of the utmost importance that there be created an integrated organization for supply. The Post Office Department is a prime example of the need for such action. In 1904, Congress passed a law<sup>5</sup> creating in the Post Office Department the office of Purchasing Agent. The Purchasing Agent is appointed by the President for a 4-year term, and is confirmed by the Senate. Organizationally, he reports directly to the Postmaster General; but since the problems of supply are more vitally related to the responsibilities of the Assistant Postmasters General, they have retained the control over policies and the power of approval or disapproval of expenditures.

The Purchasing Agent performs only the most routine processes of soliciting, opening and tabulating bids, and issuing orders. The purchasing program or schedule, the preparation of, and final decision on specifications, and the determination of the successful bidder are all retained by the several Assistant Postmasters General and their administrative staffs. Furthermore, the supply function is almost completely centralized in the Washington headquarters; the local postmasters can take independent action only on the smallest scale and in the gravest of emergencies; and even then, their actions are subject to review and criticism by headquarters. It would without question be a salutary change and of aid to the postal service if the office of Purchasing Agent were abolished by repeal of the creative statute; and if instead there were established an integrated supply organization under the appropriate Assistant Postmaster General to handle the entire problem.

We do not attempt to prescribe or to recommend any standard form of supply organization in the separate agencies, since the widely varying conditions would dictate the development of that particular type best suited to each agency. We do recommend, however, that in all agencies the supply unit should be roughly modeled, in the groupings of its activities, after the Central Supply Organization; that its operations be closely integrated with the central body; and that it be closely linked with the agency's organization responsible for budget and operations planning. We also recommend that the supply organizations of the larger agencies with widespread field operations should concentrate on the determination of policies, breaking up the Washington bottleneck in the control of funds by allotments to the field offices for requirements of stock items and for local purchases in genuine emergencies.

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<sup>5</sup> 33 Stat. 440, 5 U. S. C. 366.

## F. Recapitulation

In these introductory pages, we have attempted to sketch the magnitude of the supply problem in the Federal Government and the present obstacles to efficiency in personal property management. In so doing, we have necessarily intersected the areas of interest of the projects on personal management and fiscal, budgeting, and accounting; but we have refrained from offering basic recommendations which might conflict with theirs. Some of the phases of the work of the Bureau of the Budget are, however, so intimately related to the development of an effective supply system that we offer some specific recommendations, which we hope will not contravene the opinions of our colleagues.

### 1. GENERAL RECOMMENDATIONS

a. That the Bureau of the Budget be given a congressional mandate and be provided with funds and staff: to develop further, and to apply standards for staffing and work-load performance in the several phases of supply in all agencies; to expand its program for the development and promulgation of standard forms, including those used in contracting; to cooperate with the individual agencies in the development of an organization and methods for the curtailment in the number and use of forms; and for the simplification of methods to eliminate red tape and useless paper work.

b. That the Treasury be given a congressional mandate to develop, and to install, in cooperation with all agencies, one or more simple systems of cost accounting which will provide the necessary data to show complete and comparative costs of performance of the various supply activities.

c. That a Central Supply Organization be created in the Executive Office of the President, to carry out the responsibilities shown on chart VII.

d. That the name of the Munitions Board be changed, and that its work program be expanded to include coordination and integration of all phases of supply or logistics in the National Military Establishment, as shown on chart VIII.

e. That the Assistant to the President in charge of staff or administrative services, the chairman of the Munitions Board, and the director of the Central Supply Organization constitute an informal supply policy committee to integrate supply policies between the civilian and the military agencies, and to develop, on a cooperative basis, an overall, Government-wide supply system.

f. That the several phases of supply be integrated within each agency through the establishment of a supply organization, closely

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f. That the several phases of supply be integrated within each agency through the establishment of a supply organization, closely

linked with the agency's organization responsible for budget and operations planning.

## 2. SPECIFIC AND DETAILED RECOMMENDATIONS

On the following pages, specific and detailed recommendations, whereby the above general recommendations may be implemented, are included in summary form on each phase of the supply function, in connection with a brief presentation of the problem, findings and discussion, and achievements anticipated. The specific findings and recommendations are repeated and considerably elaborated in the detailed report.

## I. PURCHASING

### A. The Problem

The purchasing problem of the Government is perhaps the most complex one in the world. In range of commodities bought and in the vast number of points at which such commodities are used, no other public or private corporation can be used as a basis of comparison. No existing or ready-made purchasing system can, therefore, be recommended as the solution. Though the problem is unique, nevertheless, many of the methods found practicable in other governments and in private business could beneficially be adopted for use in the Federal Government.

When the Government was a simple organization and when the majority of its services and operations were performed by manual, rather than by mechanical means, its needs in supplies, materials, and equipment were quite limited in number and in cost. Now, by contrast, the Government buys and uses in small or in large quantities practically every known type of commodity. Its total purchases run into billions and the distribution of its personal property is so vast that transportation costs are now almost 1 billion dollars per year.

As new agencies and new services have been added, separate purchasing offices have been created. In complete contrast with the situation on property identification and property utilization, one outstanding characteristic in Government purchasing is over-organization. Barring a long and detailed survey, it is impossible to state at how many thousands of points orders for supplies, materials, and equipment are now placed by Federal employees. A directory of purchasing offices in the District of Columbia issued by the Bureau of Federal Supply includes over 125, most of which are headquarters organizations. Dependent upon the type of set-up in each agency, there are many or a limited number of field offices outside Washington at which orders are issued against Federal Supply Schedules or at which open-market purchases are made. In countless cases these scattered organizations are competing against each other in the purchase of identical items at the same time, and frequently from the same sources of supply at varying prices.

Such unplanned purchasing in small lots is wasteful and extravagant. On the other hand, many of the Government's purchases are

made through central purchasing offices in such large quantities that they shrink the supply available for our private economy. They, too, are unplanned, and usually have no relationship to market conditions. Consequently, the Government frequently goes into the market for large quantities at the wrong time and by so doing increases the prices paid by the general public.

It was impossible within the time limitations of this project to determine accurately how many Federal employees are now engaged in procurement activities. As explained in the detailed report, the military departments reported, through the Munitions Board, a total of 6,500 purchasing employees with annual salary obligations of almost \$20,000,000. Through the "Occupational Survey of Employment as of July 31, 1947," of the Civil Service Commission, it was found that the civilian agencies employ approximately 2,000 people in technical purchasing positions, exclusive of stenographic and clerical employees. In addition to this partial roster of purchasing employees many hundred others are buying on a part-time basis at headquarters offices of small agencies or at field offices of large agencies.

Another outstanding characteristic of Government procurement is overregulation. Here, again, the situation is in direct contrast with other phases of supply on which statutes and regulations are almost entirely lacking. In Civil War days the Congress passed a law, since known and revered as section 3709 of the Revised Statutes, which has been the keystone of contracting procedure. By its brevity and generality, it has encouraged copious interpretations by the office of the Comptroller General and by policy-determining officials in the various agencies. As a result, the regulations applying to purchasing are mountainous in volume. In every conceivable phase of every step in contracting there are various and sundry prohibitions. Government purchasing, therefore, has become almost a matter of turning the crank and grinding out documents. The ceremony of soliciting, opening and tabulating bids, and of awarding orders has concentrated in most places on price only. The more basic and fundamental principle of value is completely overshadowed.

Since under these conditions purchasing in most agencies has become a humdrum routine, there has grown up the fixed concept that anyone can buy. This erroneous idea has been fostered by civil-service classifications and regulations, according to which a purchasing officer is supposedly expert in buying any type of commodity—be it stationery or construction equipment. Furthermore, the salaries applicable to purchasing positions are a depressant to anyone wishing to make buying a career. There is great need for specialization to supplant generalization, and for a new atmosphere and outlook which will provide the stimuli for initiative and the exercise of judgment.

The improvement of Government purchasing, then, centers around four basic problems:

1. To reduce the number of buying offices to the minimum by eliminating superfluous organization. This could and should be accompanied by a corresponding reduction in salary costs and other expenses.
2. To substitute general regulations for detailed regulations and thus to open up a new field for administrative judgment on the part of contracting officials.
3. To staff the remaining purchasing offices with personnel who will take advantage of more latitude in operations and will elevate purchasing methods to a professional level.
4. To regulate and control the time, length, and quantity of Government contracts by proper planning and scheduling, by consolidation, by purchase assignments, and by other means.

## B. Findings and Discussion

### 1. PURCHASING ORGANIZATION

There is little evidence of uniformity in the organization or administration of Government purchasing offices. In civilian agencies the lack of standardization is particularly marked. The Post Office Department is an example of those agencies which attempt to control every penny of expenditure and every phase of purchasing procedure from Washington headquarters. The Department of the Interior is an example of the reverse situation where very limited control is exercised by headquarters and where almost complete autonomy is vested in the individual bureaus. The Department of Agriculture exemplifies a compromise situation. In that Department broad procurement policies are prescribed, and the principal contracts are awarded, at Washington headquarters. The interpretation of the general policies and the awarding of smaller contracts are responsibilities of the separate bureaus, which they exercise through headquarters, regional, district, and field offices.

In the military agencies there is also considerable discrepancy in organization and methods. The Department of the Army has delegated almost complete responsibility to the seven technical services in purchasing and other phases of supply. The Navy has long followed a diametrically opposite policy. The Navy's Bureau of Supplies and Accounts is responsible for the purchase of common-use items, while the items peculiar to the requirements of the technical bureaus are separately handled. The Air Force, on the other hand, has rather completely centralized its purchasing in the Air Matériel Command at Dayton, Ohio.

In all three departments of the National Military Establishment, there is a common thread of uniformity. The Secretary, acting through the Assistant Secretary, of the Army, the Navy, and the Air

Force has reserved the authority to approve and to promulgate general policies and regulations on problems of logistics, including procurement.

The Marine Corps, although organizationally a part of the Navy, has thus far maintained its autonomy and buys through a quartermaster in the office of the Commandant. The Marine Corps requirements in technical and tactical equipment are more closely akin to those of the Army than of the Navy; nevertheless, it should be practicable through a purchase assignment of the Munitions Board to include Marine Corps requirements with those of other technical bureaus and services. This, it is believed, would be more easily achieved if the Marine Corps purchasing organization were merged with that of the Navy. Thus, items common to the needs of both Navy and Marine Corps would be handled through the Navy Bureau of Supplies and Accounts and the present contract duplication would disappear.

The Coast Guard, which in time of war becomes a part of the Navy, has its own separate purchasing organization; and on many items, uses different specifications.

Since 1933 the Procurement Division (now the Bureau of Federal Supply) of the Treasury Department has been the designated agency for effecting coordination in purchasing. For a variety of reasons, which are discussed more fully in the detailed report, it has largely failed of its mission.

The need for uniformity in purchasing and other supply activities in the military agencies was recognized by Congress in 1947 when it provided, in the National Security Act, for the delegation by the Secretary of Defense to the Munitions Board of the power to recommend purchase assignments and otherwise to bring about coordination among the three separate departments.

## 2. PURCHASING POLICIES, PRACTICES, AND PROCEDURES

Many records are maintained by Government purchasing offices, but only a modicum of such records has practical application. Since purchasing in most agencies is now a routine matter governed almost entirely by regulations, there is little incentive for a buyer to become versed in market price trends or conditions. Similarly, purchasing officers are seldom a party to program planning and are unaware of what is to be purchased in advance of receipt of requisitions, whereupon they are supposed to act without question and as quickly as red tape will permit.

There is also a glaring lack of data on the true cost of performing the purchasing function. As pointed out in the introduction, a timely

and hopeful effort is under way by the Bureau of the Budget to establish staffing standards and cost yardsticks, to be used as more scientific and more intelligent criteria of budgetary requests.

All sizable purchasing offices maintain lists of potential bidders. Such bidders lists are usually voluminous and include the names of every individual, partnership, or corporation, which asks to be listed. The use of such bidders lists is also indiscriminate. In many agencies the entire list of potential bidders on a given class of commodities is circularized on each prospective transaction. Although now hamstrung by restrictive decisions of the Comptroller General, it is believed that most civilian purchasing officers are unduly apathetic and that they could put forth more effort to restrict competition to responsible vendors. Under existing circumstances, most awards, except in connection with large purchases of highly technical equipment, are made to the bidder who submits the lowest price.

Term contracts for indefinite quantities, as best exemplified by the Federal Supply Schedules, provide one of the brighter aspects of Government contracting methods. Such contracts centralize the awards but decentralize the placing of orders, thus, theoretically at least, securing the benefit of bulk buying while permitting small-lot deliveries as needed. However, the Federal Supply Schedules and other comparable term contracts tend to become routinized. They should be constantly scrutinized and studied, to be kept in tune with changes in distribution practices in the commercial world. A careful study would doubtless show that economies would result from purchase and distribution as stock items of many commodities now on term contracts; and that, contrariwise, many items now handled through storehouses could more advantageously and more economically be bought and distributed on term contracts.

There is a tendency throughout the Government, particularly in the civilian agencies, to concentrate purchasing activities in Washington, D. C. This tendency is, for the purchase of many commodities, a major error. The District of Columbia is not in any respect a market center. Sales representatives in the District are selected on the basis of their familiarity with Government regulations or on their wide acquaintance with contracting officers. The "Washington bottleneck" also tends to build up monopolies for those suppliers who can afford Washington sales offices or who are large enough to take a chance on indefinite quantity contracts. Many small but reputable business firms are thereby excluded from medium-sized contracts which they could competently handle if the responsibility were decentralized and if contracts were awarded on a basis of geographical zones.

One of the major advances in Federal purchasing occurred in 1947 when the Congress enacted the Armed Services Procurement Act. This act, applying only to the military agencies, repealed section 3709

of the Revised Statutes and permits contracts to be negotiated under specified circumstances and conditions. The act thereby in large part nullified the decisions and the regulations which have been piled up as interpretations of section 3709 of the Revised Statutes. It also raised from \$100 to \$1,000 the ceiling on purchases which can be made without securing competitive bids through broadcasting of invitations. In brief, it made permanent the progressive procurement practices which were built up during World War II under provisions of the First War Powers Act.

Pursuant to the more liberal provisions of the Armed Services Procurement Act, the military agencies have prepared the Armed Services Procurement Regulations, which prescribe how and when contracts can be negotiated; how competition can be confined to responsible bidders; how lists of acceptable products can be prepared, maintained and used, in lieu of detailed specifications; and how awards can be made on the basis of other factors than price, including quality and value.

The extension of the Armed Services Procurement Act to purchasing activities of the civilian agencies would be an improvement much to be desired. In addition, the present act should be further liberalized and modified to:

1. Permit the procurement of nonperishable subsistence by negotiation.
2. Permit, in cases where a number of bids—some reasonable and some unreasonable—have been received for fractional parts of the requirements, the acceptance of the reasonable bids, the rejection of the unreasonable ones, and negotiation for the remainder of the requirements.
3. Increase from \$25,000 to \$100,000 the amount of the contracts which the agencies may place for experimental and developmental work without written approval of the heads of the respective departments.

As a safeguard against abuse, the administration of this law in civilian purchases should be governed by regulations defining precisely the conditions under which, and the procedure by which, contracts may be negotiated and requiring competitive bids wherever possible on transactions under \$1,000 in value, although making such competition less formal and ceremonial than has been the practice under the interpretation of section 3709 of the Revised Statutes. It would be a step forward if the military regulations were also to require competition wherever possible on purchases under \$1,000.

"Seasonal" buying based on scheduled requisitions and program planning is also a crying need in Government purchasing. To buy when the time is right and to contract in advance of need are earmarks of efficiency in private buying. To effect these results in Gov-

ernment, however, the buying office must be provided with several essential tools. It must, first of all, have funds with which to contract in advance of the receipt of requisitions from the agencies which it serves.

Revolving funds should be supplemented by "advances" of funds from the largest requisitioning agencies at the time they submit their purchase program. The office which is purchasing a given class of commodities either on a consolidated basis or on a purchase assignment must also have authority to require the agencies which it serves to submit requisitions for their needs at such times and for such future periods as may be dictated by prospective market conditions.

The purchasing office must also have authority to challenge the specifications set forth on requisitions. If any agency has latitude for deviating from a standard specification or for requiring special manufacture of an item which is commercially produced in standard quality, centralized buying then results only in centralized order-placing. It is suggested that the Federal Specifications Board be invoked as the arbiter in unresolved specification controversies of this nature, and that its decision should be accepted by both the buying and requisitioning officials.

As shown in the purchasing section of the detailed report, an analysis of 600,000 purchase orders issued by 19 civilian agencies revealed that 90 percent of the orders represented only 10 percent of the dollar value of expenditures. It has been estimated, on the basis of this and other analyses, that approximately 3,000,000 purchase orders are issued annually by the various and sundry Federal buying offices and that approximately one-half of this huge quantity of orders average less than \$10 in value. The partial cost of processing a purchase transaction is greatly in excess of \$10.

Under the present uncoordinated purchasing practices, hundreds of thousands of transactions therefore cost the taxpayer more in paper work than the value of the commodities being purchased. It is impossible, of course, to state definitely what could be saved by a reduction of red tape to reasonable limits; but it is safe to assume that the economies would run into millions of dollars.

Another form of red tape which discourages competition and constantly annoys businessmen desiring to do business with the Government is the present multiplicity of contracting forms. It is believed possible and feasible to bring order out of the current chaos through the adoption of a standard form, as recommended below.

There follows a list of the recommendations for coordination, integration, and improvement in Government purchasing. The basic

facts underlying and supporting some of these recommendations are not discussed in this summary, but are to be found in the purchasing section of the detailed report.

## C. Recommendations

### 1. PURCHASING ORGANIZATION

#### a. Civilian Agencies

(1) *The Central Supply Organization.*—The Central Supply Organization in the Executive Office of the President should have a purchase and stores division. The purchasing and the storage and issue phases of the supply function would thus be combined for purposes of administration, to effect the vital and necessary coordination in planning and inventory control. The purchase and stores division should have both operating and policy-determining functions, as shown on chart VII.

As an operating unit, it would have authority to act as a central purchasing office for the needs in common use items of all civilian Executive agencies, for legislative and judicial agencies, and for Government-owned corporations—if after study of all factors involved it could demonstrate potential economies from such consolidated purchases.

It should also have authority to act as the central purchasing office for small agencies and to eliminate their separate organizations and staffs if, likewise after survey, it could demonstrate potential economies from such consolidations.

It should be given the authority to prepare and to award Federal Supply Schedules and to make their use mandatory by all agencies both in Washington and in the field.

It should also have authority to establish headquarters offices, and also branch offices for buying, and for storing and distributing, common use items for all civilian agencies in their respective areas; and to designate certain branch offices, located in market centers, as the sole buying agencies for all civilian requirements in designated commodities.

As a policy-determining unit, it should have authority to determine by whom purchases would be made, through “purchase assignments” to those agencies which, after study of all factors involved, are considered to be best fitted to buy designated classes of commodities. It should also have authority to develop uniform buying methods and to prescribe their use by all civilian agencies through rules and regulations and through manuals of procedure. It should have a

small, competent staff to conduct "administrative audits" to determine compliance with rules, regulations, and prescribed procedures; to study and report on prospective purchase assignments; and to survey the purchasing organizations and methods of civilian agencies to determine whether their separate buying facilities should be continued or should be taken over by the Central Supply Organization.

(2) *Departmental purchasing organizations.*—The larger civilian agencies should continue to have separate purchasing organizations. It is not feasible to recommend a standard type of departmental organization, because of the widely varying conditions and requirements. It is recommended, however, that the departmental purchasing office be a part of an organization in which all phases of the supply function are combined, comparable to the functional groupings shown on chart VII for the Central Supply Organization; and that such supply unit should be closely identified with the departmental organization for budget and operations planning.

*b. Military Agencies*

(1) *The Munitions Board.*—The Munitions Board should act as the coordinating body in purchasing and other phases of supply for all military agencies. In that capacity it should exercise policy-determining functions comparable to those of the Central Supply Organization for the civilian agencies. No operating functions are proposed for the Munitions Board. Chart VIII shows under "present" functions those which were assigned by the Secretary of Defense in his directive of June 9, 1948.

As spelled out below, in the outline of recommended legislation, the National Security Act of 1947 should be amended to make unmistakable the authority of the Secretary of Defense to exercise these powers and to delegate them to the Munitions Board. It should also provide that the Board could be authorized to recommend, after study, necessary changes in purchasing organization and staff in the Army, Navy, and Air Force to achieve simplification in procurement; that it be authorized to provide by regulation for the transfer of excess property from one military agency to another; and that the Board should recommend plans, after study, for the consolidation of the purchasing organization of the Marine Corps with that of the Navy, also and for the integration or consolidation of the purchasing organization and specifications for equipment of the Coast Guard with the Navy's supply system. Although the technical and tactical equipment of the Marine Corps is more closely akin to that of the Army than of the Navy, it should be practicable to include Marine Corps equipment with similar needs of other technical services.

through a purchase assignment of the Munitions Board. The Marine Corps needs in common-use items would be handled by the Navy Bureau of Supplies and Accounts.

(2) *Departmental purchasing organizations*.—For the immediate future or until, through purchase assignments and structural changes, uniformity in organization and methods can be achieved, separate purchasing facilities should be operated by the Army, Navy, and Air Force. It is expected that the Air Force will continue its policy of centralized purchasing. It is recommended that the Army establish a central organization comparable to that of the Navy, by separating procurement and other phases of supply from the service functions of each of the seven technical branches.

Eventually, it is believed that there should be established a central supply unit for the National Military Establishment by which common-use items would be purchased, and purchasing policies would be established, for all three constituent departments.

#### *e. Integration of Civilian and Military Purchasing*

Although not recommended as a statutory body, it is assumed that the Assistant to the President in charge of service functions would set up an informal supply policy committee (as shown on charts VII and VIII, following pp. 26 and 28), consisting of himself as chairman, the Chairman of the Munitions Board and the Director of the Central Supply Organization. It would be the functions of this committee to develop purchase and other supply assignments, and policies, rules and regulations for the purchasing of all items common to the use of both civilian and military agencies; and to recommend procurement responsibility for special programs, such as stock piling or foreign relief.

When such assignments, policies, rules, and regulations have been agreed upon, they should be promulgated and prescribed in behalf of the President by the Assistant to the President, since they would apply alike in terms and effect to all agencies.

Through such supply policy committee and the Executive Office of the President, it would, therefore, be possible to achieve the long-range objective of reducing to the minimum consistent with successful operation the number of organizations and employees engaged in purchasing for the Government.

## **2. PURCHASING PERSONNEL**

Purchasing and other phases of the supply function should be recognized as a career in which progressive and enterprising individuals can aspire to responsible positions and earn salaries comparable to those paid for like positions in private industry. It is hoped that the

project on Federal personnel management will point the way to a complete overhaul of the civil-service system to make this objective possible. As one means for attracting high-caliber personnel to the supply service, it is recommended that the present ceiling on civil service positions be raised from \$10,330 to \$15,000 per annum and that intermediate grades be correspondingly adjusted. It is also recommended that the Army and Air Force consider the advisability of recognizing supply as a career service for officers, as has long been the Navy practice.

The Congress has recently recognized the salary factor in securing the services of a high-caliber individual when it provided, in the National Security Act of 1947, that the Chairman of the Munitions Board should be paid \$14,000 per year. With all due respect, this figure still seems inadequate for the position and it is recommended that the Director of the Central Supply Organization, whose responsibilities would be comparable, be paid \$20,000 per year; and that the Assistant Directors in charge of the Purchase and Stores and other divisions receive annual salaries of \$17,500.

### 3. PURCHASING BY NEGOTIATION

The Armed Services Procurement Act of 1947 was a major advance in the purchasing methods of the military agencies. It repealed section 3709 of the Revised Statutes and made permanent the authority for negotiating contracts and for other progressive procedures which had been developed under the provisions of the First War Powers Act.

As further improvements, we recommend that the Armed Services Procurement Act be amended in three important respects, as pointed out above. We also recommend that it be extended to civilian agencies and be called the Federal Procurement Act. To guard against abuse of its provisions which are more liberal than section 3709 of the Revised Statutes, we recommend that the amended act provide that purchases by civilian agencies shall conform to rules and regulations prescribed by the Central Supply Organization.

In addition to authorizing negotiation of contracts, it would effect three other salutary improvements in civilian contracting methods: It would raise from \$100 to \$1,000 the ceiling on purchases which can be made without advertising for bids; it would set aside the "stock pile" of decisions of the Comptroller General applicable to section 3709 of the Revised Statutes which now hamstring the purchasing officer at every turn; and it would permit purchasing on the basis of value rather than on price alone, since the act permits award "to that responsible bidder whose bid, conforming to the invitation for bids, will be most advantageous to the Government, price and other factors considered."

On the other hand, it would be expected that the rules and regulations of the Central Supply Organization would:

1. Strictly define the conditions under which, and the procedure by which, contracts could be negotiated; and
2. Require competition wherever possible on all purchases under \$1,000, although lessening the time, scope, and formality of such competition.

#### 4. PURCHASING POLICIES, PRACTICES, AND PROCEDURES

##### *a. Manuals of Regulations and Procedures*

In the military agencies, general policies on procurement are now determined by the Secretary of each Department through the Assistant Secretary. It is recommended that the adoption of policies and the maintenance of the Armed Services Procurement Regulations be made a function of the Munitions Board. Policies and rules and regulations could thus more easily be made uniform for all departments by group conference and agreement rather than independently. This change would be easily effected, and would be a logical step, since the Under or Assistant Secretary of each of the three Departments is a member of the Munitions Board.

With the extension of the Armed Services Procurement Act to the civilian agencies, it would be expected that the rules and regulations of the Central Supply Organization would embody the progressive purchasing methods now found in the Armed Services Procurement Regulations, including:

1. The methods for insuring responsibility of bidders and contractors and for circulating lists of debarred bidders; and
2. The compilation, maintenance, and use of lists of "qualified" products.

It is contemplated that the Munitions Board would compile master lists of qualified products and debarred bidders for the National Military Establishment and the Central Supply Organization would compile similar lists for the civilian agencies. Through the supply policy committee, therefore, agreement should and could be reached on a Government-wide list of qualified products, and on an over-all policy for circulating information concerning the responsibility (or irresponsibility) of bidders.

The Central Supply Organization should be empowered, as stated above, to prepare and to prescribe uniform manuals of purchasing procedure applicable to all civilian agencies. Eventually, through the supply policy committee, there should be prescribed by the Executive Office of the President a Federal Government manual in which purchasing is reduced to the simplest possible procedure. Such manual would not only be the means to great economy in purchasing operations, but would be a boon to the American businessman who now gets lost in the rabbit warren of multiplicity.

#### *b. Financing Purchases*

It is recommended that the total overhead costs of purchasing should be financed by direct appropriations and not by a surcharge based on a percentage of the purchase price. The only exception should be when a purchasing office is not adequately staffed to handle a suddenly expanded purchase program; and in such cases the extra volume of work should be done for the requisitioning office on a reimbursable cost basis.

The Central Supply Organization and the large departmental purchasing units should have adequate revolving funds with which to finance large-scale purchases on purchase assignments or for their respective organizational needs. The revolving funds should be supplemented by "advances" of funds by the agencies or bureaus for which large purchase programs are executed.

The "Washington bottleneck" which exists in some agencies should be broken up by periodic allotments to field offices for purchases or for securing their stock item requirements from the nearest field warehouse of the Central Supply Organization, without the necessity for reference to or approval by the headquarters office on individual transactions.

#### *c. Bidders Lists*

Bidders lists should be confined, insofar as possible, to those potential suppliers who are known to be responsible. Such lists should be periodically examined and revised, to save the costs of distributing invitations to bid to unqualified concerns or individuals. Contractors who have proved to be irresponsible in their dealings with the civilian agencies should be reported to the Central Supply Organization; and in the military agencies, to the Munitions Board. Such information should be distributed throughout the Government, so that a contractor who has proved irresponsible with one agency will not do business with any agency.

#### *d. Award to Small Business Concerns*

Many commodities used by the Government should be purchased on "zoned" contracts covering the total requirements of all agencies in the respective geographical area. By this method, the price advantages of centralized purchasing could be obtained; but the total overall business could be distributed among a greater number of contractors, thus permitting small business concerns to compete for regional contracts which they would be unable to handle on a national basis.

*e. Term (Indefinite Quantity) Contracts*

The Federal Supply Schedules have demonstrated the value of centralized contracting, with decentralized ordering, on many common use items. Such term contracts should be extended farther into the field of contractual services, such as stenographic and reporting services, trucking services, etc.

To achieve their maximum usefulness in commodities or contractual services, however, term contracts should be continuously studied both before and after award. Many items now covered by Federal Supply Schedules, or by term contracts awarded by the Navy or other departments, should be scrutinized carefully to determine whether they could not more economically be purchased in definite quantities for direct delivery or for distribution through stores. Contrariwise, some items now being bought in the open market on many small orders, or being handled as stores items, might more economically be procured on term contracts. Term contracts should also be regionalized wherever possible to bring the supplier closer to the ordering agencies, to curtail transportation costs and to increase the number of Federal suppliers. All term contracts should be made mandatory for use in all practicable cases by both headquarters and field offices. They should also provide maximum and minimum quantities which the contractor is required to furnish, or the Government is permitted to order.

*f. Purchasing With the Market*

Great savings could be effected if Government purchases were more frequently made on a "seasonal" basis. To take advantage of favorable market conditions, however, any central purchasing agency or any departmental agency carrying out a purchase assignment will have to be provided with funds with which to finance such purchases. Revolving funds are the preferable method.

To supplement the revolving funds, the agencies should be required, by rules and regulations prescribed by the Central Supply Organization or by the Munitions Board, to "advance" funds when they submit their purchase programs to the central agency or to any agency carrying out a purchase assignment.

Advance planning and scheduling of purchases should also be effected, if purchasing is to be done on an orderly basis. Again under rules and regulations prescribed by the coordinating agencies, all branches of the Government should be required to submit their requisitions at such times and for such future periods as the central purchasing office or the departmental purchasing office carrying out a purchase assignment may prescribe.

In order to consolidate separate agency requisitions into bulk quantities, the central purchasing agency must also have authority to

challenge, and to require the justification of, a request for quality which deviates from a standard specification or from accepted commercial practice. Otherwise, any attempt to centralize purchasing will result only in centralized order-placing. In cases of dispute over specifications which cannot be settled by the requisitioning and buying offices, the Federal Specifications Board should be asked to consider and to adjudicate the matter.

*g. Coordination With Traffic*

The important teamwork between purchasing and traffic officers, which is now generally marked by its absence, would be more easily achieved if the staff handling routine traffic operations in all agencies were combined with, and made a part of, the Supply Organization. Traffic management policies as prescribed by the Central Supply Organization would thus also be more easily enforced.

*h. Red Tape in Purchasing Procedure*

The taxpayers cannot longer afford the luxury of the hundreds of thousands of purchase transactions which now cost more in paper work and documentation than the cost of the commodities involved. "Agent cashier" (petty cash) funds should be more widely used, and a field purchase order, such as that developed by the Forest Service of the Department of Agriculture, could profitably be used by other agencies to cover their small emergency needs at thousands of field points.

The present labyrinth of procedure in purchasing, accounting, billing and paying processes helps to explain why the Government is notoriously slow in payment. This procedure should be thoroughly reviewed. If one-fourth the effort that has been expended over the years in building up the present elaborate documentation process were now devoted to a sincere attempt at simplification, millions could be saved in personnel and other expenses. The Bureau of the Budget should be given a congressional mandate, and should be provided with staff and funds, to concentrate on this objective.

*i. Purchase Records*

Records of purchase transactions should be confined to essential data. Purchasing offices now maintain many records which have no practical application. Buyers should be provided with information on past price trends, and on probable future price trends, on important commodities. Inventory records, and records of certain types of

property in use, should be available in the central or departmental supply organizations to check against requisitions, to determine whether the purchase is required.

The Central Supply Organization and the Munitions Board should have small, competently staffed statistics and analysis sections for the compilation and distribution of comparative information which would be of value to the departmental purchasing offices. A central file of statistics on volume and kind of purchases made by separate agencies is also essential to the development of purchase assignments.

*j. Cost Records*

The Treasury should be given a congressional mandate to develop simple cost accounting records for use in determining the total and true costs of purchasing and other phases of the supply function. Such records are essential to the current efforts of the Bureau of the Budget to develop staffing standards. Without some measuring sticks or criteria on proper costs, reduction of staff and simplification of procedure will continue to be a protracted battle. The Central Supply Organization and the Munitions Board must also be supplied with such data, if they are to succeed in their mission of eliminating unnecessary and costly purchasing facilities, of developing purchase assignments on an intelligent basis, and of appraising assignments already made.

*k. Contracting Forms*

A master form, embodying all the terms and conditions of invitations to bid and contracts, should be developed by the Bureau of the Budget in cooperation with the Central Supply Organization; and when approved by the Supply Policy Committee, should be prescribed by the Assistant to the President for mandatory use by all agencies. Here again, the American taxpayer cannot afford the continuation of the present multiplicity. Nor can the businessman who wishes to sell to the Government.

Each supplier desiring to do business with the Government would be furnished with a copy of the standard form and would be required to acknowledge receipt of and familiarity with its terms. Thus, the terms and conditions would not need be included with each invitation to bid, and a purchase order on which reference is made to the standard conditions could be the contract. This would effect large savings in paper and postage, and in legal examination of each transaction by the Government and by the bidders and contractors.

#### *l. Bid and Performance Bonds*

Bid and performance bonds should not be used on supply contracts. If the responsibility of bidders and contractors were assured by the methods described and recommended above, bonds would serve no useful purpose.

#### *m. Cash Discounts*

Cash discounts taken for prompt payment should follow commercial practice. If the billing and paying procedure were simplified, the Government could more frequently pay its bills within the usual discount period.

### **D. Achievements Anticipated**

If the recommendations listed above were made effective, the resultant benefits would be both direct and indirect. As a direct, measurable achievement, there would be a substantial reduction in the number of buying offices accompanied by sizable savings in personnel and other expenses. Such elimination of superfluous purchasing organizations would be brought about through the separate efforts of the Central Supply Organization and of the Munitions Board, and jointly through the leadership and prestige of the Executive Office of the President. Cutting out unnecessary organizations through consolidated purchases, purchase assignments, and structural reorganizations would also reduce the competition in buying which now exists. The centralized purchases of common use items, which would be facilitated through the adoption of standard specifications, should bring about better unit prices or higher quality or both. The much-needed simplification in procedure would also result in less need for staff. A 10 percent reduction in staff would result in a saving of at least \$3,000,000 per year. Curtailment of the outrageously complicated and detailed documentation on small transactions would cut the cost of purchasing by millions of dollars per year. For example, a reduction in paper work costs of only \$10 per order on the 1,500,000 orders now issued per year for merchandise of \$10 or less in value would mean a saving of \$15,000,000 per year. And that is only a drop in the savings' bucket.

The increase in personnel costs from adoption of recommended higher salaries for key positions would be entirely offset by the savings through improved purchasing methods.

The most outstanding indirect benefit would be discontinuance of the prevailing uneconomic practice of awarding contracts on price alone. The quality and value of commodities would instead become

the predominant factors. Although this would lead to paying higher prices for some commodities, it would indirectly increase the mileage of the tax dollar through extending the period of usefulness of such articles and through improvement in quality of service resulting from their use.

Indirectly the Government would also benefit through improved relationships with private business. If the Government confined competition to responsible bidders and eliminated "fly-by-nights" and "gyps," reputable firms would be more willing to compete, and prices would tend to be lower as a result. Reduction in the number of buying offices and the substitution of one standard set of terms and conditions of bidding and contracting would be a welcome relief from the present welter in which the prospective bidder now finds himself. Through simplification in accounting, billing and paying procedures the Government would avoid the reputation of being notoriously slow in payment. This would also tend to reduce bid prices, since any alert bidder now adds to his basic price a factor for interest on the anticipated period of arrearage in payment.

In summary, the purchasing relationship between private business and Government will be on a technical basis rather than on the prevailing basis of technicalities.

## II. STORAGE AND ISSUE

### A. The Problem

#### 1. PERSONNEL AND SALARIES

The magnitude of the storage and issue problem is dramatized by the number and the salary costs of the Federal employees engaged in this single functional area during the fiscal year 1948. Reports submitted by 23 civilian agencies to the Bureau of the Budget in July 1948, responding to Bureau Bulletin No. 1947-48:18, dated April 22, 1948, show that in these agencies alone a total of 1,000 employees are engaged in the storage and issue function with total salaries of \$2,486,-175.<sup>1</sup> Certain other additional major civilian agencies and the National Military Establishment have reported to the Federal supply project an estimated total of 106,223 storage and issue employees at total salaries aggregating \$272,252,551.

These figures, itemized in table I, are indeed grand totals. Nevertheless, they do not show the complete picture, since data is not available from every agency of the Government engaged in storage and issue activities. It is believed, however, that table I includes the majority of Federal agencies extensively engaged in the storage and issue function, with the exception of the Government Printing Office.

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<sup>1</sup> Reports were requested by the Bureau of the Budget from only a selected list of civilian agencies.

TABLE I.—*Storage and issue personnel and salaries*

Agency	Number storage and issue em- ployees (in mean years)	Total salaries
Reported to the Bureau of the Budget:		
Treasury Department-----	243. 40	1 \$574, 986
Commerce Department-----	216. 70	571, 065
Labor Department-----	8. 00	18, 677
Justice Department-----	114. 30	336, 190
Federal Security Agency-----	237. 70	531, 503
Civil Service Commission-----	18. 30	43, 049
Nat'l Advisory Committee for Aeronautics-----	112. 40	297, 364
Other <sup>2</sup> -----	48. 55	113, 341
Reported to the Federal supply project:		
Department of Agriculture-----	155. 00	399, 889
Department of the Interior-----	<sup>3</sup> 612. 00	2, 000, 479
Post Office Department-----	221. 60	557, 478
Tennessee Valley Authority-----	262. 00	757, 449
Veterans' Administration-----	<sup>4</sup> 1, 192. 00	4 3, 402, 233
U. S. Coast Guard-----	169. 00	482, 704
Bureau of Federal Supply-----	458. 90	1, 249, 539
Subtotal (civilian agencies)-----	4, 070	11, 335, 946
National Military Establishment (estimated):		
Air Force-----	18, 252	44, 728, 551
Army-----	30, 283	75, 842, 645
Navy-----	54, 618	142, 831, 584
Subtotal (military agencies)-----	103, 153	263, 402, 780
Grand totals-----	107, 223	274, 738, 726

<sup>1</sup> Figures do not include the Bureau of Federal Supply.<sup>2</sup> Represents 16 small agencies.<sup>3</sup> This figure excludes number of storage and issue personnel, but includes salaries of such personnel, in the Bureau of Indian Affairs.<sup>4</sup> Includes only personnel chargeable to operation of four principal Veterans' Administration depots and does not include numerous employees also engaged in the function at hospitals, homes, branch offices and regional offices, on which information is not available. Veterans' Administration data was furnished to this project by the Bureau of the Budget.

## 2. STOCK INVENTORIES

The magnitude of this function is further illustrated by the total investment of public funds in stock inventories. Again, complete data is lacking; but available data for the fiscal year 1948 is as follows:

TABLE II.—*Stock inventories*

Inventories maintained by agencies in the District of Columbia metropolitan area, as reported to the Bureau of the Budget  
in July 1948<sup>1</sup>

\$9, 307, 675

<sup>1</sup> Excluding printed or duplicated material; inventories maintained by field activities with headquarters located in the Washington, D. C., area; so-called "cupboard" and "shop" stocks; and stocks in use.

TABLE II.—*Stock inventories*—Continued

Inventories maintained at field locations, as reported to this project by:<sup>2</sup>

Veterans' Administration	<sup>3</sup> \$66,500,000
Department of Agriculture	6,165,201
Department of the Interior	66,096,283
Tennessee Valley Authority	10,574,902
U. S. Coast Guard	31,902,489
Inventories maintained by the Bureau of Federal Supply at the District of Columbia warehouse and the 11 regional supply centers <sup>2</sup>	6,663,275
Inventories maintained in the continental United States by the National Military Establishment, as reported to this project (exclusive of the inventories in Washington, D. C., facilities): <sup>2</sup>	
Air Force	8,043,028,127
Army	8,140,488,395
Navy	10,593,901,019
Grand Total	26,974,627,166

<sup>2</sup> Excluding printed forms.

<sup>3</sup> Furnished by the Bureau of the Budget.

These figures do not include such large stores activities as those operated by the Post Office Department at various field locations since such post-office inventories are not priced; neither do they include the stores operations of the Government Printing Office. All figures listed are exclusive of printed forms, which alone is a large item of inventory in Government stores.

### 3. STORES FACILITIES

An insight into the scope of the storage and issue function may be gained by citing partially complete figures on the number of Government stores facilities. The reports to the Bureau of the Budget, mentioned above, show that 72 different activities of the Government operate storage and issue facilities of varying sizes and kinds in the Washington, D. C., metropolitan area alone, exclusive of the principal central supply warehouses operated by the Bureau of Federal Supply and by the Government Printing Office. A current Budget Bureau study of the Veterans' Administration shows that this agency operates four principal depots at field locations, as well as some 180 stores facilities of varying sizes at its hospitals, regional offices and stations. Reports to this project by the Department of Agriculture, Department of the Interior, Post Office Department, Tennessee Valley Authority and the United States Coast Guard list a total of 557 storage and issue facilities operated at field locations by these five agencies alone. (The facilities reported by these five agencies range in size from small, cloak-room-type storerooms to large construction project supply warehouses.) The National Military Establishment, reporting its prin-

cipal depots only, lists 160 such installations in various locations throughout the country.

Although admittedly incomplete, these figures clearly illustrate the huge problem in Government today in the administration of its storage and issue function; and also the huge potential savings inherent in improved management of the function.

## B. Findings and Discussion

### 1. ORGANIZATION FOR STORAGE AND ISSUE

#### a. *In the Civilian Agencies*

Under authority of Executive Order No. 6166, issued pursuant to the Economy Act (47 Stat. 1517), the Bureau of Federal Supply (formerly the Procurement Division), Treasury Department, operates a central supply warehouse in the District of Columbia and 11 supply centers at various locations throughout the country. Although intended to provide central service for most items commonly used throughout the Government service, the items stored and distributed through these warehouses are relatively few when compared to the great variety of the supplies consumed by the Federal Government; in general, the items so stored and distributed are restricted to administrative and housekeeping supplies.

Until 1943, the Bureau of Federal Supply operated a central warehouse in the District of Columbia only; and distribution of administrative and housekeeping supplies to the many Federal offices scattered across the country was effected for the most part through agency operated stores facilities at departmental headquarters in Washington, with some of the larger agencies also operating supply warehouses in the field.

Beginning in 1943 the Bureau of Federal Supply (then the Procurement Division) expanded its warehouse operations to include field supply centers. By late 1945 it had established 11 such supply centers at Atlanta, Boston, Chicago, Cleveland, Denver, Fort Worth, Kansas City, Los Angeles, New York, San Francisco and Seattle.

These locations were selected because of the concentration of Federal activities at those points and with due regard to transportation facilities. It was intended that they would supplant the various supply warehouses individually operated by the agencies—and they did to some extent. In establishing these supply centers, the Bureau of Federal Supply, with the approval of the Bureau of the Budget, took over certain existing agency-operated warehouses to form the nucleus for the central facilities. When the eleventh supply center was established in late 1945, 76 agency warehouses had been eliminated through

consolidation. However, 68 of these were warehouses of the Division of Central Administrative Services, Office of Emergency Management, which had been established to serve war agencies and were therefore of temporary character. Since 1945, relatively few further consolidations have been effected because of insufficient capital in the operating funds of the Bureau of Federal Supply and the justified insistence of the Bureau of the Budget that the economies to be obtained and efficiency of service be demonstrated before additional warehouses are taken over.

At the present time many agencies continue to operate their own supply warehouses in Washington and in the field, duplicating to varying degrees stocks stored and distributed on a centralized basis by the supply centers. Current over-all figures are not available, but our studies show that six major civilian agencies operate a total of 748 stores facilities at field locations, with inventories on hand totalling more than \$181,000,000. These agencies are Agriculture, Interior, Post Office, Tennessee Valley Authority, Veterans' Administration and Coast Guard. (Inventory figure cited does not include inventory of the Post Office Department at its 115 stores facilities in the field.) The total number of stores warehouses operated in Government is anybody's guess; the majority, however, are "special purpose" type warehouses, handling items peculiar to the needs of the operating agency. Warehouses operated by the United States Forest Service, Tennessee Valley Authority, and the Civil Aeronautics Authority are typical examples.

The Bureau of Federal Supply has determined, based upon data collected in 1942, that there are still some 36 civilian agency warehouses outside of the Washington area, of the type that should be merged with its central stores facilities. However, certain agencies have established new warehouses at field locations and others have been eliminated, since 1942, so that this figure is unreliable. Although current data is lacking, it is believed that the number of agency supply warehouses in the field, carrying principally or exclusively items of the type available from central stores of the Bureau of Federal Supply, are now relatively few. But many of the so-called "special purpose" warehouses operated by agencies in the field also store and issue common use administrative supplies in conjunction with their primary purpose operation.

It was also intended that, with the establishment of central stores facilities under the Bureau of Federal Supply in Washington and at strategic locations throughout the country, the number and size of agency District of Columbia stores facilities would be largely curtailed and the shipping of common use items across country from Washington would largely be eliminated. However, most agencies

continue to operate in the District of Columbia area large storage and issue facilities, from which many items are distributed Nation-wide.

As pointed out above, reports submitted to the Bureau of the Budget in July 1948 show that 72 individual agency storage and issue facilities are still in operation in the District of Columbia metropolitan area with combined inventories of \$9,307,675 (exclusive of printed forms). The volume of supplies shipped cross country from these facilities is unknown; but these same reports to the Bureau of the Budget show that \$3,881,344, or 42 percent of the total Washington inventories, are for supply of field stations. These figures are not wholly reliable and should be considered as indicative only. Some agencies in reporting stated that they were unable to segregate the value of stores inventory maintained to supply field offices. Since our investigations show that stock control records used by Federal agencies generally are woefully inadequate, too much credence cannot be placed on any reported inventory figures. This situation emphasizes the need for accurate record keeping in this phase of supply.

The Government Printing Office, in addition to being the central source for printing and binding work, also stores and distributes certain common-use items like inks, glues, paper, plain envelopes, stenographer's notebooks, ruled pads, and comparable items. The Bureau of Federal Supply procures certain of these items from the Government Printing Office for storage and issue from its District of Columbia warehouse. Although we were unable to make detailed studies in the Government Printing Office, its storage and issue of common-use items obviously duplicates to some extent the operations of the Bureau of Federal Supply.

Standard forms, although an item of common use, are not centrally stored and distributed on a Nation-wide basis by either the Bureau of Federal Supply or by the Government Printing Office. Instead they are printed by the Government Printing Office (and stored at that point as supply demand dictates), and delivered in large lots to agency headquarters in the District where they are restored and then shipped in small lots from that point to field offices; in some cases forms are delivered by the Government Printing Office to the agency headquarters, which packs and reshipps to regional warehouses for further storage, handling, and distribution from these points to the ultimate users. In a relatively few cases agencies have arranged with the Government Printing Office to ship forms direct to their field warehouses or storage points; however, it is understood that the Government Printing Office charges for this service are so high that this theoretically more economical practice is not widely followed.

*b. In the Military Services*

Within the military services the storage and issue of supplies and equipment has been and still is the responsibility of the separate departments. As illustrated by tables I and II above, stores operations of the National Military Establishment completely overshadow civilian agency stores operations.

In the Army the supply function has traditionally been divided among the several technical services. In the Navy storage and issue activities have been centralized to a marked degree in the Bureau of Supplies and Accounts. In the Marine Corps, however, the Quartermaster General has responsibility for storage and issue. In February 1947, a modification of the Navy supply system, with the establishment of supply offices for each class of technical material, was adopted. Business operations of these offices are carried on by the Bureau of Supplies and Accounts, but guidance in technical matters is furnished by the several bureaus. Within the Air Force storage and issue activities are centralized in the Air Matériel Command. A large proportion of the supplies and equipment used by the Air Force are still obtained from the Army technical services.

The United States Coast Guard, organizationally under the Treasury Department in time of peace and converting to an element of the Navy in time of war, is mainly responsible for its own storage and issue activities; it is subordinate to Treasury supervision in this functional area only to an infinitesimal degree.

**2. BUREAU OF FEDERAL SUPPLY OPERATIONS**

Discussions with agency officials reveal a general recalcitrance on their part to deal with the central agency. Repeatedly heard were complaints that the quality of merchandise from Bureau of Federal Supply stores is substandard in many cases; that delivery service is inadequate; that many items required in their operation are not stocked by the Bureau; that prices are not definite; and that prices charged are oftentimes higher than those at which the same items can be procured locally from commercial suppliers.

Our studies indicate that in some cases these complaints are not justified and are devoid of proof. In other cases and in the main, however, complaints leveled against the Bureau of Federal Supply are fully warranted.

The ordering of supplies from the Bureau of Federal Supply is mandatory on agencies located in Washington, D. C.; but the use of its field facilities is strictly voluntary. Agencies generally regard the field supply centers as a source of supply to be compared in price with purchase from local concerns. The Bureau sometimes resorts to

buying substandard quality merchandise in order to furnish items at costs attractive to the ordering agencies.

Although the form of reports submitted by its various field supply centers to headquarters in Washington indicates limited backlog in deliveries, examination of agency requisition files and a check of unfilled requisitions at some supply centers indicate that delivery service is far from adequate. In many cases delivery takes 30 days or more, not including back-ordered items which take considerably longer. It is believed that the smaller agencies receive poorer delivery service than larger agencies, since the supply centers are prone to give preference to large requisitions in order to increase their monthly volume of business.

The Bureau of Federal Supply operates on a self-supporting basis; and the more goods it sells, the greater is the return from the surcharge imposed upon the agencies served. This surcharge, currently fixed at 12 percent for all Bureau stores service, provides funds to pay salaries and other overhead expenses of operating the supply system. The heads of the field supply centers are constantly on the lookout for new customers and call on the various Federal administrators to drum up business. Such high-pressure sales tactics run directly counter to the basic and underlying principle of economy. They are responsible, in part, for the excess inventories in agency stock rooms. The central stores organization should have available stocks for issue as and when needed, with emphasis on need. Encouragement of end-of-the-year spending, hoarding, and overstocking by the agencies should be stopped by a complete reversal in policy of the Bureau of Federal Supply. Stores branch officials of the Bureau of Federal Supply regard these practices as merchandising and feel that they are quite essential. As a matter of fact, merchandizing is essential; but it should be applied to maintenance of proper stock levels by the stores branch, and to buying at the right time and in the right quantities by the purchase branch.

Keen competition exists between the various supply centers, and each tries to handle the greatest volume of business in terms of dollars and cents to gain the nod of approval from the main office. Washington headquarters rates the efficiency of its field supply centers, not by the quality of service rendered but by the amount of business done. Since service is subordinate to profit, only those items with a rapid turnover are stocked. Stock lists are constantly reviewed from this viewpoint, and items that do not "pay" are removed. This means that the Federal agencies must look to other sources for many items needed in their operations.

Prices of items stocked by the Bureau of Federal Supply are not firm. When an agency requisitions supplies, it never knows until after the invoice arrives what the charges will be. This causes additional

paper work not only in the agencies but in the Bureau of Federal Supply as well. On approximately 85 percent of the requisitions handled the prices quoted by the Bureau of Federal Supply stock catalogs differ from the prices finally charged. Not only does this cause extra work; but agency officials complain that it is difficult to operate on limited budgets when they do not know in advance what the charges will be.

Agency officials also complain of the quality of goods furnished from the Bureau's central stores and also of the substitution of articles. Examples were cited of different types and sizes of items being furnished which obviously were not comparable to the items requisitioned. In some cases agency requisitions have specifically stated that substitution was not desired if the item ordered was out of stock. Nevertheless, substitutions were made in filling the orders. Such substitutions are unwarranted; they build up agency resistance to the central system and cause unnecessary expense in the return of undesired merchandise.

Prices of Bureau of Federal Supply stock items, principally at field supply centers, are often higher than those of local commercial concerns. Approximately 75 percent of the items carried by the supply centers are bought locally and separately; to the purchase price the Bureau adds its 12 percent handling charge which may elevate the issues price above that at which the same item could be bought locally by field stations from commercial concerns. This also builds up agency resistance to the central stores distribution system.

Relatively wide stock coverage is provided by the District of Columbia warehouse; but considerably fewer items are stocked at the field points, and not all field supply centers have the same stock list. This means that even those agencies using the facilities of the Bureau to the full extent must still procure many of their supplies from other sources. Those agencies operating field stores facilities usually justify their continued operation on the basis that full stock coverage is not provided by the Bureau warehouses; and that, since they must satisfy their requirements for many items in some other manner, they might just as appropriately operate their own stores facilities.

Although the Bureau's supply warehouses are supposedly located at points for most economical and convenient services to agencies in their respective areas, there is considerable shipping across regional lines. According to a relatively recent report,<sup>2</sup> a sampling of requisitions filled by the District of Columbia warehouse showed that 17.5 percent were for supplies shipped to areas that are supposed to be served by field supply centers. The principal reason the District of Columbia

<sup>2</sup> Survey of D. C. Warehouse, Bureau of Federal Supply, Treasury Department, Project No. 47-13, Bureau of the Budget, Division of Administrative Management, October 1947.

warehouse ships beyond its service area is that it carries many items not available at the field warehouses. Comparable figures on cross-shipping among the supply centers are not available; but during our visit to some, requisitions were observed calling for delivery into areas purportedly served by other supply centers. Being profit conscious, the supply centers seldom, if ever, decline a requisition or forward it to a more conveniently located service point. They fill it regardless of shipping costs (which are borne by the ordering agency).

### 3. OPERATIONS OF THE CIVILIAN AGENCIES

Agency stockrooms and warehouses in the District of Columbia metropolitan area handle mostly common use administrative and maintenance items. Based upon Bureau of the Budget reports, and reports of surveys conducted by the Bureau of Federal Supply, it is estimated that approximately 75 percent of the administrative supply items (other than printed forms) carried in agency stores facilities are procured, or are procurable from the District of Columbia warehouse of the Bureau of Federal Supply. A large portion of the balance are bought from the Government Printing Office, such as paper, inks, glues, stenographer's notebooks and other stationery items, as well as blank paper and plain envelopes. These are the two principal sources for administrative supplies stocked by the agencies in the District of Columbia metropolitan area. Other fixed sources of supply, not only for Washington but also for field points, are blind-made and prison-made products.

Truck deliveries are made by the Bureau of Federal Supply and by the Government Printing Office throughout the District to agency storerooms, where the goods are restocked and distributed to the ultimate users. In some agencies this distribution is confined to offices within the same building in which the storeroom is located; in others deliveries are made by truck to other offices; and some activities persist in the costly practice of shipping goods across country from headquarters-operated storerooms.

Such restocking and rehandling of supplies is costly and wasteful. Most agencies do not know their storage and issue costs, since few, if any, have installed or even considered a cost-accounting system. Budget Bureau studies in three small agencies, however, showed that the costs of operating their stockrooms ranged from 26 percent to 64 percent of the total dollar value of annual issues. This means that a \$1 item procured from the Bureau of Federal Supply costs \$1.12 (including the Bureau's 12 percent surcharge) when it reaches the agency stockroom; and from \$1.41 to \$1.84 by the time it reaches the ultimate consumer in the three agencies mentioned.

In addition to such easily assessable cost figures, there must also be considered the high costs of paper shuffling in the requisitioning and accounting processes, at both agency and central agency levels—the multiple steps, crossflow and backtracking of documents in the ordering process. These same complicated procedures take place in the agencies when requisitioning stores items from the Bureau of Federal Supply, whether for a \$1 order or a \$1,000 order. Upon receipt of the agency requisition, more complicated procedures are encountered at the central agency which further adds to the taxpayers' burden. Overall costs can be substantially reduced through planning of needs, scheduling of requisitions on a periodic basis, making periodic advances of funds available to the central supply agency, eliminating fictitious controls (especially in Washington headquarters offices), and adopting simplified practices.

Most agencies operate their stockrooms on the basis of a "normal stocking level." They attempt to maintain a certain level of supply expressed in terms of requirements for a given number of months. A relatively few agencies more properly determine their stocking levels on the basis of individual commodities, predicated upon activity of issue of the item, replenishment time, projected future requirement and other pertinent factors.

Agencies generally stock more supplies than they actually need. Agency officials are frank in admitting that, during the war especially, many items were bought in larger quantities than needed to assure themselves of an ample supply in a tight market. Today, practically every agency in Washington is overloaded with supplies, especially paper and envelopes which were highly critical items during the war.

Effective planning of stock needs is seldom practiced in the civilian agencies. The quantity of supplies and equipment bought depends on the amount of funds available rather than on program planning and relating of supply needs thereto. The consistent upswing of buying at the end of the appropriation year is a clear indication of this fact. Also, practically no attention is paid to the scheduling of requisitions. The Budget Bureau study referred to above shows that, during a 4-month period, 191 ordering offices submitted to the Bureau of Federal Supply 10,580 requisitions, of which more than half were for less than \$25 worth of merchandise. If these same agencies had submitted their requisitions on a monthly basis, with allowance for emergency interim orders, the number of orders would have been reduced by more than 90 percent, with commensurate savings in the central agency as well as in the requisitioning agencies.

Probably the weakest link in the entire Federal supply system is "stock control." Some agencies, particularly those operating small storerooms, employ no stock control devices whatever. Others post stock control records religiously, but just as religiously fail to use them after posting. Still others have, at one time or another, installed adequate stock-control systems; but have failed to keep them current thus rendering them useless. Numerous agencies have not physically counted their stores stock in years and consequently have no idea of the actual quantities on hand. Stock records that are not reconciled and adjusted by periodic physical inventories are practically useless—as they are in some agencies today.

The failure to employ and maintain adequate stock controls and to take periodic physical inventories has resulted in excessive stock inventories. A review of recent surveys, conducted jointly by the Bureau of the Budget and the Bureau of Federal Supply in 10 different agency supply facilities, shows that excess stocks averaged 70 percent of the inventory.

Each branch of the Government is now in general responsible for its own system of supply and invariably operates separate stock rooms. There is little or no coordination between various agencies and too often between bureaus or comparable units of the same agency. It is not uncommon to find multiple stock facilities in the same agency, in the same building, each completely autonomous.

Although many agencies now utilize the supply centers of the Bureau of Federal Supply, there is a complete lack of uniformity in the requisitioning process. A standard purchase order format was designed and promulgated in 1943 for Government-wide use in requisitioning. However, this form still receives only limited use. One of the principal deterrents to a national stores distribution system is the requirement imposed on many field stations by their Washington headquarters that all requisitions be submitted to Washington for review and approval before transmittal to the Bureau of Federal Supply distribution points. A more logical and practical method has been adopted by some agencies whereby field office expenditures are controlled by periodic allotment of funds. This allows them to requisition and to secure delivery with a minimum of time and effort by all concerned.

Personnel engaged in stores operations for the Government vary widely in caliber and in civil-service rating. Some are underrated for the responsibilities involved, while others are overrated. In general, it is believed that the caliber of personnel employed in this field is "below par." Conversely, in private industry there is a trend to advance the stores operation to a management level.

Stock-handling methods and material-handling equipment are not uniform. There is considerable evidence that the civilian agencies could well profit by adopting the applicable labor-saving devices widely used at military supply installations.

There is practically no uniformity as to policies, methods, and procedures in storage and issue operations. Each department, and even bureaus within a department, organize, establish, and operate storehouses, sometimes on a national basis, without reference to similar installations of other agencies in a particular region. Aside from the ordinary cupboard stocks required by administrative offices for day-to-day operations, the field storehouses of many agencies represent a duplication of effort. The same items are carried in stock in quantities by storehouses of two or more departments or bureaus in the same geographical area, the same city, and even in the same building. The waste through such duplication is not only indefensible; it is inexcusable.

Storage and issue operations of the Veterans' Administration are probably the largest of the civilian agencies. A study of the Veterans' Administration's supply system by the Bureau of the Budget indicates that many items, formerly bought from suppliers for direct delivery to the hospitals and stations, are now being handled in increasing number through its depot system, which has been greatly expanded since the war. The Veterans' Administration's primary depots, four in number and located at Somerville, N. J.; Hines, Ill.; Wilmington, Calif.; and Montgomery, Ala., are expensive installations. Based upon information made available to us by the Bureau of the Budget, it is believed that the costs of operating this huge system are wasteful of public funds. The Budget Bureau study places operating overhead and transportation costs at 23.4 percent of annual depot issues. This is considered conservative, since it does not include all costs which would be charged to overhead expense in a comparable commercial operation. This means that a \$1 item costs at least \$1.23 by the time it reaches the secondary storage and issue point at the hospital or station. Restorage and further handling at the secondary level, plus spoilage, breakage, and obsolescence at that point, add more costs. By the time the \$1 item reaches the ultimate consumer, it costs the taxpayer anywhere from \$1.30 to \$1.50, and probably more were it possible to compute all applicable cost elements.

#### 4. OPERATIONS OF THE MILITARY SERVICES

The stores systems in the three departments of the National Military Establishment differ widely in concept and method of operation. Operational procedures, methods, documentation, and forms vary to considerable degrees. It extends even to use of different terms, designations, and even different pronunciations for the same things.

The lack of uniformity in item identification and catalog numbering is a well-known and recognized handicap within the military services. The War Department report, Unified Logistics Support of the United States Armed Services, dated January 10, 1947, and prepared by the Service, Supply, and Procurement Division of the General Staff, cites many illustrations of differing nomenclature used by the Army and Navy for the same item. This same report well describes and illustrates the multiplicity and duplication of military supply depots and the lack of a coordinated military supply system.

The Department of the Navy has established, and has been operating since February 11, 1947, a coordinated and integrated system for the supply of all material necessary for the maintenance and operation of the Naval Establishment. One of the basic concepts in the Navy supply system is that all material belongs to the Navy, not to an individual bureau. The Navy further recognizes that supply problems form a common pattern, and has centralized responsibility for them in its Bureau of Supplies and Accounts. To assure a uniform supply system that meets the needs of the technical bureaus, various items are grouped into types which can be controlled from a specific supply-demand control point. The maximum degree of uniformity consistent with the various types of materials is obtained under the Navy supply system.

In contrast, each technical service of the Department of the Army operates a separate supply system, each promulgating its own policies, methods, and procedures, and issuing its own catalogs and operating manuals. Throughout the history of the Army, the technical services have become almost autonomous for purposes of supply and have acquired power they have no desire to lose. The Army at present relies on each technical service to review and revise stock lists to effect prompt clearance and disposal of obsolete items. In theory, this appears satisfactory. In actual practice, it does not work satisfactorily. There is a decided tendency on the part of each technical service to maintain inventories of its own material in excess of practical requirements. If frequent review of over-all Army inventories were made by a central unit instead of by each technical service, a more realistic approach to cleaning out obsolete and obsolescent stocks would result.

The Air Force supply system is relatively new and operates on unified principles similar to the Navy. A large proportion of the stock for the Air Force, however, is secured from the technical services of the Army. Therefore, so long as the present uncoordinated systems of supply exist in each technical service, it is necessary for the Air Force to follow similar variations in the storage and issue of supplies furnished by the Army.

The Marine Corps, although a permanent component of the Navy, and the Coast Guard, although an element of the Navy in time of war, do not follow standard Navy procedures. The Marine Corps and the Coast Guard each operate their separate chains of storehouses. The Coast Guard is currently studying a plan to increase the number of its storehouses, with the objective of being wholly independent of either the Navy or the Treasury Department, under whose jurisdiction it operates in time of peace.

The National Security Act of 1947 emphasizes need for the unification of procurement with no comparable emphasis on the unification of storage and issue activities. Yet the storage and issue facilities of the military services have inventories approximately six times the dollar value of the budget estimates for purchases of supplies, materials, and equipment during the current fiscal year, and employ over 10 times the number of people engaged in purchase activities. In carrying out the objective of this act, the Secretary of Defense has delegated ample authority to the Munitions Board to accomplish unification of procurement; but comparable authority has not been aimed at unification of the storage and issue function, and little or nothing has been accomplished in this field.

Inadequate attention has been given to unifying policies, procedures, and methods governing the distribution systems of the departments. Concentrated attention should be given to the unification and consolidation of storehouses and issue points. Greater power should be given to the Munitions Board to accomplish these tasks.

## C. Recommendations

### 1. CENTRAL SUPPLY ORGANIZATION

a. The Central Supply Organization in the Executive Office of the President should include a purchase and stores division, which would exercise functional control over all storage and issue activities of the civilian agencies, including those of the legislative and judicial branches, and the Government-owned corporations. Organizationally, the storage and issue function should be combined for purposes of supervision with the purchase function, as indicated on chart VII, following page 26. The storage and issue function should be coordinated with traffic, cataloging and other activities of the central agency and close cooperation should be maintained between these related functions at all times. The purchase and stores division should be both a policy-making and an operating organization.

The Central Supply Organization should be empowered to:

1. Merge, consolidate, or liquidate unnecessary agency-operated facilities;
2. Delegate authority to the agencies to operate their own storage and issue facilities when justified;
3. Make "storage assignments" to the agency best equipped and situated to handle specified storage and issue responsibilities for all civilian agencies; and to develop through the supply policy committee, Government-wide "storage assignments" for items common to the needs of both civilian and military agencies;
4. Prescribe policies, rules, and regulations and develop standard simplified operating procedures; and make inspection audits to determine compliance, and the efficiency, effectiveness, and economy of agency conducted operations; and
5. Operate a national chain of supply warehouses for those common use items which can most advantageously and economically be distributed through stores to civilian agencies; and when properly organized, store and distribute, on a cooperative basis, common-use items for small-lot requirements of the military services.

b. The existing Bureau of Federal Supply field warehouses are based upon the sound philosophy of providing a ready source of supply at locations nearby the points of use and consumption. The plan should be continued and, if deemed practicable after study, expanded. The warehouses should be located in Government-owned and suitable buildings. The Central Supply Organization should, however, avoid the mistakes at the District of Columbia warehouse and the supply centers, of the Bureau of Federal Supply, and should operate its Nation-wide chain of storehouses with a policy and an attitude radically different in the following respects:

1. The stock list should include all common-use items, and special items for small agencies, which cannot more economically be bought on term contracts; and should not be confined to "fast-moving" common-use items;
2. Emphasis should be on service and not on "profit";
3. Agency requisitions should be submitted on a scheduled basis;
4. Volume of business should be consistent with the agencies' operating needs;
5. The closest possible teamwork should be effected between the purchasing and the storage and issue organizations in connection with: Revision of the stock list; the variation and revision in inventory levels as indicated by market conditions; keeping flexible the stock replenishment program; and eliminating stores handling of large lots by effecting direct delivery to the agency stockroom or using point;
6. Use of the central stores facilities should be on a mandatory and not on a voluntary basis;
7. Deliveries by the various storehouses should be confined to their respective service areas, and stock coverage should be provided at all installations to cover the needs of those areas;
8. Quality of merchandise and time of delivery service should be improved, and substitution should be held to an acceptable minimum;
9. Back orders should be automatically canceled after a prescribed period, and clearance should be granted to agencies when items are out of stock and delivery cannot be effected in time to meet their operating needs;

10. Small-lot buying should be held to the minimum and bulk buying and shipping should be expanded;
  11. Improved storing arrangements, handling methods, and equipment should be adopted based upon proved methods of the military services;
  12. Storage and issue costs should be financed by direct appropriation and not by surcharge or service fees;
  13. Stock inventory and bills payable should be financed by an adequate and flexible revolving fund;
  14. Bills receivable should be financed by "advance" payments by the agencies on a quarterly or other periodic basis; and
  15. Fiscal operations should be substantially simplified, and issue prices should remain "firm" or fixed for specified periods of time.
- c. The items stored and distributed by the Central Supply Organization should include those common use items now stocked and distributed by the Government Printing Office, and standard forms; also included should be all common use blind-made and prison-made products.

## 2. INDEPENDENT CIVILIAN AGENCY OPERATIONS

a. Except as authorized by the head of the Central Supply Organization, civilian agency stores operations should be confined to those items not distributed through the central storehouses. The storage and issue function should be combined, for purposes of supervision, with the agency's purchasing functioning to effect the vital and necessary co-ordination in planning and control.

b. Many improvements should be made in the operation of agency storage and issue facilities, along the following lines:

1. Perpetual or other form of inventory records should be maintained and should be reconciled at least annually by physical inventories.
2. Stocking levels should be established and enforced for different classes of commodities, and these levels should be constantly reviewed to effect prompt clearance and disposal of obsolete items.
3. Additions, or proposed additions, to stock should be carefully screened to insure against storage of any item which could more economically and advantageously be purchased for direct delivery to the point of use.
4. The number of stores requisitions submitted by agency organization units should be curtailed by requiring their submission on a scheduled basis.
5. The financing of large agency stores facilities should be in the same manner prescribed for the Central Supply Organization.
6. Storing arrangements, handling methods and equipment should be improved and proved methods of the military services should be adopted where practicable.
7. Accurate records of operating costs, including all elements of overhead should be maintained; these cost records should provide the basis, and be used as such, to determine when an item can be economically distributed through stores.

c. In the main, the warehousing of goods by Federal activities should be curtailed, rather than expanded as has been the tendency in the past. The current Bureau of the Budget study of Veterans' Administration's supply system clearly illustrates the excessive piling up of overhead by funneling goods through warehouse installations. In this case it appears that much of the supplies now warehoused and distributed by the Veterans' Administration depot could be more economically procured under contracts with wholesalers and producers providing for direct delivery to Veterans' Administration's hospitals, stations and other installations. The comprehensive study being given this particular agency by the Bureau of the Budget indicates that its depot system is an uneconomical operation which should probably be eliminated entirely. Similar studies could profitably be made in other agencies.

### 3. THE MILITARY SERVICES

a. Functional control over storage and issue operations of the military services should remain with the National Military Establishment but should be focalized in the Munitions Board. The Munitions Board should have authority over the military services comparable in scope with the authority of the Central Supply Organization over civilian branches of the Government.

The Munitions Board should be empowered and directed to undertake as soon as possible:

1. The elimination of duplicate and overlapping facilities.
2. The devising and enforcement of a system for frequent review and revision of stock lists to effect prompt clearance and disposal of obsolete items, for maintaining proper stock levels of different commodity classes, and for confining inventories to proper stock items.
3. The development of ways and means for controlling, scheduling and consolidating stores requisitions and reducing stock control costs.
4. The development of ways and means for reducing storage, handling and transportation costs by curtailing transshipments and by shipments direct from suppliers to subdepots or to points of use.
5. The making of storage assignments analogous to the current purchase assignments as one means of eliminating or curtailing existing duplicate and overlapping stores facilities.
6. The establishment of procedures to screen, identify, describe and number future additions to stock lists to obviate duplications, in collaboration with the Munitions Board Cataloging Agency.

b. Before the Munitions Board can be expected to operate effectively in this field, however, certain changes in the organization and practices of the several departments should be accomplished.

1. In the Army, the supply function should be divorced from the service function, so as to permit, when a standard commodity catalog has been adopted, a unified departmental stores system in lieu of separate stores systems for each

of the technical services. There should be a single supply organization in the Army which would operate a coordinated and integrated system of supply based upon principles of effective departmental control, maximum flexibility and economy, similar to the Navy supply system.

2. Action should be taken, before the Air Force builds up a system paralleling the Army system, to establish uniform methods and procedures for storage and issue similar to the Navy supply system, as recommended above for the Army.

3. Within the Navy, the supply functions of the Marine Corps should become a part of the Navy system. The supply functions of the United States Coast Guard, though in peacetime not a part of the National Military Establishment, should likewise be standardized and coordinated with the Navy system to provide the necessary cohesion of operations required in time of war.

#### 4. GENERAL

a. Close coordination should be maintained between the Central Supply Organization and the Munitions Board to effect the greatest utilization of storage and issue facilities on a Government-wide basis. Where possible, storage assignments should be made on a joint basis to provide service to civilian agencies from military installations, and vice versa.

b. Civilian agency management must discontinue organization build-up and other costly practices resulting from willful failure to utilize central service facilities. Greater stress should be placed on the need for competent personnel and training programs should be initiated to secure the best results with the personnel available.

c. Fictitious controls by the agencies at Washington headquarters should be eliminated, and authority commensurate with the job being performed should be delegated to offices in the field to requisition common use items directly from the storehouses of the Central Supply Organization or from other branches of the Government responsible for storage assignments.

d. The appropriation pattern should be amended so that funds appropriated for supplies and materials (object classification 08) include printed forms. Removal of the existing fictitious distinction between standard forms and other common use items would permit the storage and distribution of standard forms by the storehouses of the Central Supply Organization.

e. Complicated paper flow and attendant procedures must be simplified, and kept simple, both in the separate agencies and in the central agency. Central service will never succeed nor can attendant savings be realized until paper shuffling is reduced to the minimum. This is a task that should be handled by the Bureau of the Budget on a Government-wide basis, and adequate staff should be made available to that Bureau to do an effective job.

## D. Achievements Anticipated

During World War II many items frequently were not available at the right time and place and in the quantities needed. This was due primarily to the lack of a unified supply system in the military services rather than failure of American business to produce. Should there be a war involving the continental United States as a combat field we will desperately need a system of storage, issue, and distribution that can and will make matériel quickly available from common stocks to all services and to all bureaus or other operating units within the departments of the National Military Establishment. The recommendations contained in this report are aimed in that direction and the changes proposed, if properly administered, will achieve that goal. If no other benefits are realized, the standardization of military supply systems and unification of the storage and issue functions of the military service will have been more than worth the efforts put into this study.

Needless to say, with standardization of procedures, close central control and unified operations will come monetary savings. Dollars savings are relatively intangible factors which are difficult to prove and are invariably controversial. In the military services, however, the expenditures involved in inventories and personnel engaged in the functional area of storage and issue are so tremendous that even a small percentagewise saving will represent many millions of dollars. For example, a mere 10 percent reduction in military inventories through merger of stocks and depot facilities would reduce inventory investment of public funds by more than \$2,500,000,000. A 10 percent reduction in military personnel engaged in stores activities would save more than \$26,000,000 annually. Comparable savings will follow through reduction in space requirements, supplies consumed and equipment used in the operations. These figures are merely indicative of savings possibilities. They are, in our opinion, highly conservative since these recommendations, if fully adopted and properly administered should result in far more than 10 percent reductions in inventories, personnel, and other costs.

Our recommendations for elimination of overlapping facilities among the civilian agencies; the centralized stocking and distribution of common use items; and the standardization and simplification of operating policies and procedures will produce comparable savings dependent upon effective administration of the proposed Central Supply Organization. Estimating civilian agency inventories at \$200,000,000,<sup>3</sup> a 10 percent reduction would amount to \$20,000,000;

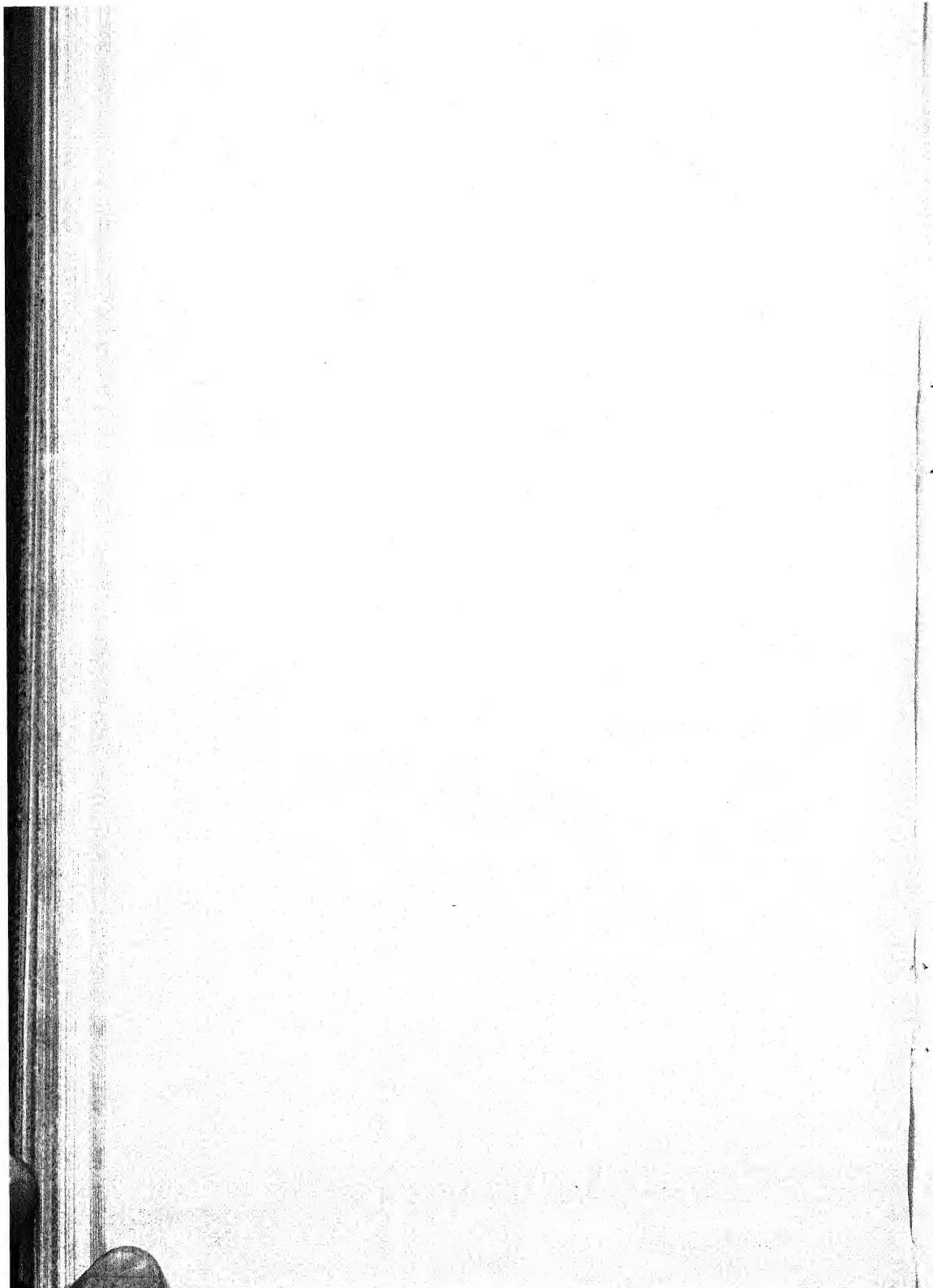
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<sup>3</sup> Accurate and total figures are not available. See tables I and II, pages 52 and 55.

estimating salaries of civilian agency storage and issue employees at \$12,000,000<sup>3</sup> a 10 percent savings would amount to \$1,200,000. Again these figures are merely indicative. For, as in the case of the military services, we are of the opinion that far more than 10 percent reduction in personnel, inventories, and other costs can be realized if these recommendations are adopted and properly administered.

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<sup>3</sup> Accurate and total figures are not available. See tables I and II, pages 52 and 53.



### **III. TRAFFIC MANAGEMENT**

#### **A. The Problem**

It is well recognized that lack of centralized traffic management costs the Government excessive transportation charges. Government property and the channels of its movement are often unique. Carriers' tariffs have been constructed with relation to commercial traffic. Total annual charges paid for transportation by the Government exceed \$1,000,000,000, which represents almost one-tenth of carrier revenues for transportation of property.

This inquiry concerns itself with the management phase of traffic, particularly those phases of traffic management which have the power to control the level of transportation charges paid, as distinguished from transportation operations performed on the shipping level. Detailed investigation was made of the traffic organizations in 18 Government agencies. Comparison is provided with prevailing traffic management practices in private industry. Recommendation is made for an organization and procedures to curtail excess payments for transportation of Government property.

##### **1. COMMERCIAL TRAFFIC MANAGEMENT**

All large industrial and commercial concerns consider traffic management as an executive function to be coordinated with other phases of the business. Savings in transportation costs are often the measure of profit of the business concerned. Such traffic organizations are usually headed by a general traffic manager. Investment in traffic management varies according to the character of the business.

In 1930 the administrative cost averaged 4 percent of the charges paid for transportation service, and an average return of \$4.08 in savings was attained for each dollar of expense. On the average this ratio is now approximately 2 percent.

Salaries of general traffic managers range from \$12,000 to \$25,000 per year, with principal assistants receiving from \$10,000 to \$15,000 per year. In the railroad field these salaries range from \$15,000 to \$35,000, and from \$12,000 to \$25,000. Commercial concerns ordinarily employ private counsel for traffic cases. Railroad counsel handling matters before the Interstate Commerce Commission and other boards are paid from \$10,000 to \$25,000 per year, on the average.

## 2. PRESENT GOVERNMENTAL TRAFFIC MANAGEMENT

There is no uniform pattern to traffic organizations in the agencies of the Government and there is no central direction or control of their activities. Principal management functions remain in the hands of individual agencies. Many purchasing officers lacking in traffic knowledge are exercising traffic functions. Many agencies with traffic organizations are unable to make general surveys of their transportation costs through lack of necessary information and necessary personnel. In the present system of divided responsibility there is no method whereby such information can be developed and action taken to reduce transportation charges for all Government traffic.

The individual agencies have approximately 900 traffic employees with a personnel expense of more than \$3,000,000. The General Accounting Office has 925 employees for auditing transportation bills at an expense of slightly more than \$3,000,000. Total Government expenditure for personnel engaged in traffic management is estimated at \$7,000,000. This represents an investment of seven-tenths of 1 percent (0.7 percent) in relation to the total payment of transportation charges. Heads of individual traffic organizations have an average grade of CAF-12 with annual salaries of approximately \$6,000.

Those few agencies which have fairly well developed traffic management organizations are able to accomplish considerable savings in transportation charges. The ratio of these savings to the cost of the personnel employed greatly exceeds the 4-to-1 ratio in commercial concerns. For example, the Reconstruction Finance Corporation effected savings of \$17,000,000 on its wartime traffic with an average annual salary expenditure, including auditing, estimated at \$200,000.

## B. Historical Background

Since 1912 efforts have been made to develop organizations and procedures to manage Government traffic effectively. A Federal Traffic Board was established in 1921 for the purpose of bringing business methods to Government traffic management. Its powers were advisory only, and the individual agencies continued to act independently. In addition, its lack of adequate and competent personnel did not permit it to assume direction of principal management functions.

The annual report of the Comptroller General, December 3, 1923, called attention to the need for a central organization of experienced traffic personnel to obtain a level of reasonable transportation charges on Government traffic, as compared with charges on commercial traffic; to control and direct shipping practices in the Government;

and to represent all agencies of the Government in negotiating for the establishment of reasonable charges.

By Executive Order No. 6166, June 10, 1933, the Federal Traffic Board was abolished and a Federal traffic section of the Procurement Division in the Treasury Department assumed the duty of coordinating the Government's traffic activities. The functions assigned to this section, if effectively administered, would have been of great value in reducing transportation charges. However, adequate personnel were never provided and the subordination of the traffic management functions to purchasing prevented its proper development.

An investigation by the Bureau of the Budget in 1942 led to the issuance of its circular No. 387 which created the central traffic service section of the Procurement Division (now the Central Traffic Service Division of the Bureau of Federal Supply) as a central traffic agency for those departments and agencies of the Government having relatively small shipping needs. It was to conduct studies of all Government traffic with a view to reducing its cost. Again, the staff provided was inadequate, and its subordinate position and the exemption of the Government agencies with the largest shipping volumes prevented the successful accomplishment of the principal task—conducting continuing studies of the level of charges on Government traffic and securing adjustment of unreasonable charges.

### C. Findings and Discussion

1. There is an urgent need for a continuing centralized program of research into the charges for transportation of Government property.

Approximately 20 percent of Government shipments, representing a substantially greater proportion of the volume, involve commodities not ordinarily shipped by private concerns or channels of movement differing from ordinary commercial channels. As a result, such shipments will move at unreasonable high commercial rates unless action is taken to secure special quotations under section 22 or 217 (b) of the Interstate Commerce Act<sup>1</sup> or changes in carriers' tariffs are secured. The individual agencies, on the whole, do not conduct the studies necessary to find the areas where such action should be taken. There is no present method whereby such action can be taken for the composite traffic of the several agencies.

Most agencies, lacking information of more than the individual movements disclosed through processing routing requests, do not seek a permanent level of reasonable rates through tariff adjustments. To

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<sup>1</sup> 49 U. S. C. secs. 22 and 317 (b).

the limited extent that the need for rate adjustments is discovered, relief is sought requesting special quotations rather than tariff changes. Many instances were found in which such special quotations were obtained for account of one agency whereas other agencies continued to ship the same articles at full commercial rates. A wide variance of attitude among personnel was found as to when reduced transportation charges should be sought for the Government.

2. A centralized traffic management activity is necessary in order that information required for negotiation of lower transportation costs can be obtained.

The information received in the individual traffic organizations does not enable them comprehensively to review their traffic to determine the need to negotiate for lower charges. Very little information is obtained from purchasing activities to support negotiation for changes in the classification or exceptions to the classification. Only a few of the agencies, particularly the military departments, maintain centralized routing control which permits use of routing requests to determine the need for negotiations of special quotations or tariff changes. Since special quotations are voluntary reductions by the carriers, negotiations should be conducted before the traffic moves. With the removal of preaudit of carriers' charges from the individual agencies, as the result of the Transportation Act of 1940,<sup>2</sup> and various subsequent acts relieving certifying and disbursing officers of certain of their responsibilities relating to the correctness of carriers' charges, the individual traffic units are no longer able to secure essential traffic data from carriers' bills. Memorandum copies of the bills of lading are used for this purpose in two of the military departments but, lacking information as to the carriers' charges, cannot be used in research studies without checking out the rates on each shipment.

3. There is a recognized need to establish traffic management as an equal and coordinate function with purchasing.

In nearly all instances the traffic organizations in the individual agencies are considered and consider themselves no more than service organizations, responsive to the stated needs of the purchasing organizations. The initiative is left to the purchasing staffs to obtain traffic information for use in preparing their programs, and since the purchasing personnel rarely realize the importance of the traffic problems present, there is little interchange of information. Instances have been found, for example, where purchases were made f. o. b. destination, based on full commercial rates, on movements for which

<sup>2</sup> Sections 321 and 322 (49 U. S. C. secs. 65 and 66).

traffic organizations had previously obtained special reduced rates for account of the Government.

Purchasing on a delivered price basis, since it eliminates traffic handling by Government personnel and reduces possibility of losses, should be encouraged wherever the applicable rates are found to be reasonable. However, before this policy is adopted for any purchase program, the initial questions of reasonableness of existing rates and the possibility of obtaining reduced rates should be determined.

4. The need for central control of Government traffic management has been intensified by the progressive decentralization of traffic responsibility to the field.

The atomic era has brought a policy of decentralization of the physical control of traffic to numerous field activities. This has greatly reduced the ability of the traffic organizations of the individual agencies to secure the information they need and to administer effectively such policies as they may develop.

A central traffic agency is needed, among other reasons, to collect and correlate essential traffic data in order that traffic management functions can be effectively performed. It is contemplated that a central traffic agency should have branch offices.

5. Routing of Government traffic, with the exception of military traffic should be the responsibility of a central traffic agency.

A most effective control of the level of cost of transportation is through examination of routing requests submitted by shipping activities. In this process the existence of unreasonably high charges can be discovered and adjustments sought before the traffic moves; in addition having a body of experts provide the routings eliminates errors which result in high cost transportation.

It is expected that a central traffic agency would require routing requests to be submitted on shipments larger than one or two carloads, except in cases of emergency or where standard routings have been established with its approval. It is not believed, however, that the routing of military traffic, control of which is essential to the success of military operations, should be removed from the responsibility of the military establishment. There appears to be no reason, however, why the routing of military traffic should not be done by a central service under the National Military Establishment. Such a consolidation would eliminate the need for the maintenance of duplicate tariff files, would permit a uniform program for equitable distribution of the traffic among the carriers, and would centralize information needed for obtaining rate adjustments on military traffic. Determination of this question, however, should be left to the Munitions Board.

6. Uniform nomenclature manuals should be prepared for use of all departments and agencies in classifying Government shipments.

There is no adequate control over errors in describing, on bills of lading, the articles to be shipped. While shipping personnel at the many small activities throughout the country have some aids, usually including the consolidation freight classification, elimination of the errors which result in application of higher rates requires the use of manuals, cross-referencing Government item descriptions into classification nomenclature. A central traffic agency should prepare uniform nomenclature manuals governing commodities customarily purchased by the various agencies of the Government.

7. A central traffic agency should be authorized to conduct a sampling review of carriers' bills before payment of the charges.

This review is needed for three purposes: First, to control overcharges by the carriers, that is, charges in excess of the legally applicable transportation charges; second, to control errors by Government personnel resulting in the use of excessively costly methods of transportation; third, to secure the traffic data needed, including charges assessed, in order to carry out the research program and secure a uniform, reasonable level of transportation charges on Government property.

Carriers' overcharges result often from errors committed at some point on the carriers' line. The individual agencies of the Government formerly reviewed these charges before payment and corrected errors. The only examination of carriers' charges now made is that of the General Accounting Office. The individual agencies are still charged with collecting overcharges discovered by the General Accounting Office and also must review carriers' bills for administrative purposes.

It is desirable that the General Accounting Office, as an independent agency, continue to perform the audit of carriers' charges. However, the elimination of agency review of charges has led to a great increase in errors resulting in overstatement of charges by the carriers. Since carriers realize that their bills will be paid as presented they have no initiative to exercise a high degree of care. During fiscal year 1947 such overcharges discovered amounted to \$131,501,720. These overcharges are costly to detect and collect, represent a great loss measured in terms of interest charges, and failure to effect recovery, and deny to the individual agencies the use of a considerable portion of their appropriations for transportation.

In order to control overcharges and errors by personnel of the Government, it is necessary to examine a cross-section of the carriers' bills to determine the type and amount of the error and the location

of the erring office. A central traffic agency would provide a sample review of carriers' bills for this purpose and would issue regulations enabling personnel making administrative review of the bills to detect and return for correction a portion of the erroneous bills. This review would also be used to assemble the data necessary to determine areas of excessive charges to the Government and to assemble factual data requisite for proceedings before regulatory agencies. Those bills to be reviewed should be processed before payment since the process would require only 1 or 2 days for each bill and the return of incorrect bills before payment would provide the carriers with an incentive to eliminate errors.

8. The present inadequate investment by the Government in traffic management should be increased to provide for the establishment of a central traffic agency.

The present Government investment amounts to less than 1 percent of the charges paid for transportation, and since that investment is distributed widely among numerous organizations, it is not producing the potential dividends. While 2 percent is the usual economical investment in traffic management, it is estimated that the establishment of a central traffic agency would require a budget of only \$4,000,000, of which \$2,500,000 to \$3,000,000 would be spent for personnel, approximately as follows:

Traffic manager	( 1	\$17,500
Deputy traffic managers	( 5 @ \$12,000)	60,000
General counsel	( 1	15,000
Assistant general counsel	( 6 @ \$10,000)	60,000
Traffic analysts	( 50 @ \$8,000 average)	400,000
Traffic specialists	(250 @ \$4,500 average)	1,125,000
Clerical and stenographic	(200 @ \$ 3,500 average)	700,000
Statistical and administrative	(100 @ \$ 4,000 average)	400,000
Total	613	2,777,500

To a limited extent, reduction of personnel expense in the individual agencies would follow; but the justification for this expenditure lies in the area of savings to be accomplished.

## D. Recommendations

### 1. A TRAFFIC MANAGEMENT DIVISION

It is recommended that there be established in the Executive Office of the President, as part of a Central Supply Organization and with equal and coordinate status with purchasing, storage and issue, inspection and other supply functions, a Traffic Management Division with

authority and responsibility to direct Government traffic management functions (as distinguished from the traffic operating functions). Its mission should be to obtain the most efficient transportation of Government property at the lowest possible cost, providing the Government with traffic management comparable in efficiency and economy with that of commercial and industrial organizations. The routing of military traffic, and the coordination of the units and activities concerned with routing in the departments of the National Military Establishment should be added responsibilities of the Munitions Board.

*a. Personnel*

The director of the Central Supply Organization should appoint a traffic manager as head of the Traffic Management Division at a salary of not less than \$17,500 per annum. The traffic manager should be chosen solely for his experience in traffic management and administration without regard to Civil Service requirements.

Deputy traffic managers should be appointed by the traffic manager without regard to civil-service laws and be paid not less than \$12,000 per annum.

A general counsel and assistant counsel should also be appointed by the traffic manager without regard to civil-service requirements. They should be experienced in transportation law and in practice before transportation regulatory bodies.

The traffic manager should be authorized and provided with funds to employ the services of transportation experts and other experts, under the act of August 2, 1946 (5 U. S. C. sec. 55a).

Traffic analysts should be placed in the professional ("P") category of the civil service with salaries equivalent to those of CAF 12 to 15, which grades should be eliminated from traffic classifications. Subordinate personnel preparing traffic data should be designated "traffic specialists" and continued in grades CAF 6 to 11. Other personnel should also be subject to civil-service classification.

*b. Functions*

1. Primary functions of the Traffic Management Division should be:

- a. To maintain liaison with supply units of the Government;*
- b. to conduct continuing research as to the Government transportation costs;*
- c. to advise purchasing units on traffic problems;*
- d. to represent all agencies of the Government in negotiating special quotations;*
- e. to represent all agencies of the Government in negotiating changes in carriers' tariffs;*
- f. to represent all agencies of the Government in proceedings before transportation regulatory agencies;*

- g. to control the routing of Government shipments other than military shipments;
  - h. to examine carriers' bills to the extent necessary to control overcharges and excess payments and to obtain needed traffic data; and
  - i. to provide for equitable distribution of the traffic.

2. Related functions of the Traffic Management Division should be:

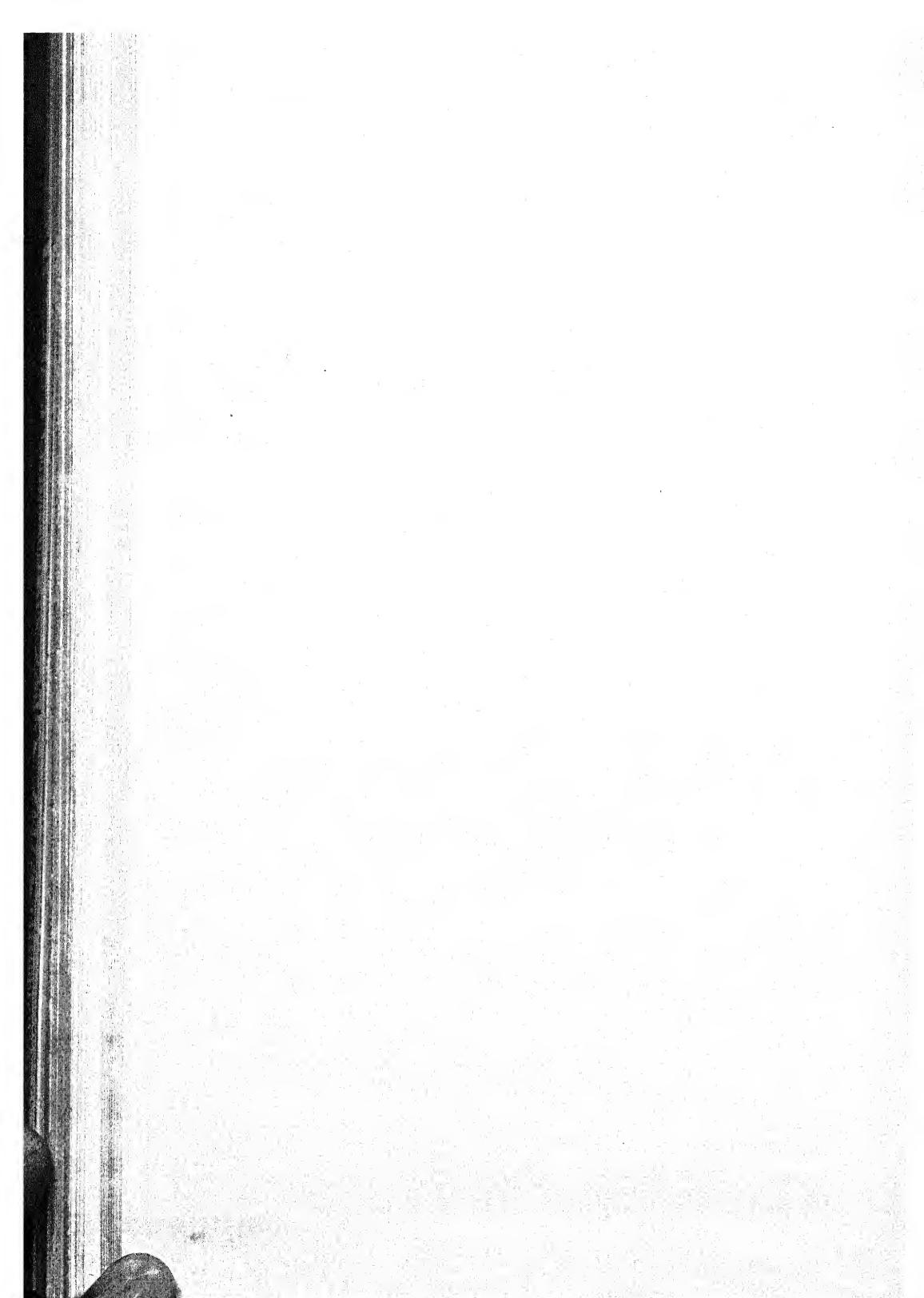
- a. To quote rates and other transportation charges upon request;
- b. to prepare uniform nomenclature guides and manuals;
- c. to prescribe standardized shipping methods and procedures;
- d. to prescribe packaging methods;
- e. to prescribe uniform shipping documents and contract provisions;
- f. to provide transportation information relative to determining suitable locations for Government installations; and
- g. to assist agencies of the Government in developing adequate shipping organizations.

3. Performance of its responsibilities will require that a central traffic agency also carry out the following administrative and operating functions:

- a. To maintain a complete tariff file;
- b. to maintain a statistical section employing business machine methods to record essential traffic data;
- c. to maintain a traffic library;
- d. to distribute research studies relating to traffic;
- e. to distribute traffic bulletins;
- f. to maintain regional offices; and
- g. to conduct training courses for Government traffic personnel.

## E. Anticipated Achievements

- 1. To establish a reasonable level of transportation charges for Government shipments.
- 2. To produce initial savings which should amount to 20 percent to 25 percent of the total amount paid as transportation charges and continued annual savings in lesser amounts.
- 3. To establish efficient traffic procedures for the Government which will improve transportation service and produce substantial savings other than those measured by the level of transportation charges.
- 4. To reduce overcharges by the carriers and excess payments resulting from errors of Government personnel in ordering transportation.



## **IV. STANDARD SPECIFICATIONS**

### **A. The Problem**

Specifications are not an end in themselves, but are an essential part of the purchasing process. They are particularly important in governmental purchasing where the award must ordinarily be made to the lowest bidder whose product conforms to the prescribed standard. The principal purpose in this part of the Federal supply study was to ascertain whether present specification practices and procedures can be improved to enable purchasing officers to secure wider competition, obtain a better quality of goods, and buy at lower prices. Other purposes were to determine whether existing standard specifications are being fully utilized, and whether specification activities are presently organized in the most effective way.

In this study the organization and procedures of the Bureau of Federal Supply and the Federal Specifications Board, the Department of Agriculture, the Post Office Department, the Federal Security Agency, the United States Maritime Commission, the National Bureau of Standards, the Munitions Board, the Department of the Army, the Department of the Navy, and the Department of the Air Force were examined in some detail. In addition, reports prepared by staff members of the Bureau of the Budget or the Bureau of Federal Supply on supply activities of the Department of State, the Department of Labor, several bureaus of the Department of the Interior, the Department of Justice, the Tennessee Valley Authority, the Federal Communications Commission, the National Labor Relations Board, the Reconstruction Finance Corporation, the Federal Power Commission, and the Federal Trade Commission were used. Field trips were also made to New York City Supply Center of the Bureau of Federal Supply, the Quartermaster Food and Container Institute in Chicago, the American Standards Association, the American Society for Testing Materials and several large industrial corporations having well recognized methods for the development of standard purchase specifications.

### **B. Findings and Discussion**

Many purchases are made on the basis of a catalog description, a previous purchase, reference to some well-known Government or commercial standard, or reference to a standard sample. In the case of

many items which are purchased repetitively, however, a standard specification is written which usually prescribes requirements in some detail and specifies the method of testing to determine whether the article conforms to the standard prescribed. The total number of such specifications prepared within the individual departments or establishments for their own use far exceeds the number prepared cooperatively for wider use. The quality of these departmental specifications varies. Some are quite satisfactory, others contain unnecessary requirements which tend to limit competition and raise prices, are obsolete, or are unnecessarily detailed.

### 1. JOINT MILITARY SPECIFICATIONS

There are two types of specifications which are used jointly by the military departments. The first of these—Joint Army-Navy (JAN) specifications—were promulgated until recently by the Joint Army-Navy Specifications Board. They were usually prepared by joint custodians selected from among the interested technical services, bureaus, or commands. More than 5 years after this program began only 564 JAN specifications had been promulgated, and the program was falling further behind schedule. This was one of the reasons leading to the abolition of the Joint Army-Navy Specifications Board and the creation on May 18, 1948, of the standards agency of the Munitions Board. The present program calls for the eventual establishment of a single system of military specifications which will include not only specifications used by two or more departments, but also specifications of interest to only one department. The new agency will not be as unwieldy as the old Board, and the central staff which is now being recruited will be larger. Some streamlining of procedures is being undertaken. The changes made appear to represent improvements. The duplication among military specifications, now estimated at 20 percent, will gradually be eliminated. Standardization of military equipment and supplies will be promoted. Some question remains, however, as to whether the central specification organization in each of the departments will be in a position to supervise effectively the administration of the joint specifications program within the department.

The second type of joint military specifications are the Army-Navy Aeronautical (AN) specifications, which are used by the Air Force and the Navy Bureau of Aeronautics. There are at present about 800 of these specifications prepared jointly and issued by the Aeronautical Board until its abolition on August 1, 1948. AN specification activities are to continue, however, and will be monitored by the Subcommittee on Aeronautical Standards of the Aircraft Committee of the Munitions Board. Much standardizing of military equipment,

which is often reflected later in specifications, is carried on by standardizing agencies such as the Army-Navy Electronic and Electrical Standards Agency (ANEESEA) and the Munitions Board Packaging Committee.

## 2. FEDERAL SPECIFICATIONS

The broadest range of interest is represented by Federal specifications, which cover many of the items commonly used by several departments, both civil and military. They are prepared under the Federal Specifications Board, which is composed of the representatives of 11 agencies, and are promulgated by the Director of the Bureau of Federal Supply. The work of the Board is carried on through 77 technical committees, with 14 technical assistants as the staff at the Bureau of Federal Supply. Draft specifications are sent to industry for comments and are cleared with Government agencies. The process of preparing or revising a Federal specification is a very lengthy one, averaging over two years. One consequence of this is that agencies, including the Bureau of Federal Supply itself, are forced to prepare their own specifications for use in purchase operations. In an effort to remedy this situation the Bureau of Federal Supply has recently arranged to have proposed new or revised Federal specifications made available to Government agencies for use in procurement prior to their formal clearance and adoption.

There are at present some 1,900 Federal specifications, many of which need revision. War developments have increased the demand for new Federal specifications or for revision of old ones, and the Federal Specifications Board has a backlog of several years work which continues to grow. The use of Federal specifications is supposedly mandatory, but this requirement is not policed. In some cases it appears that distribution to purchasing offices in the field is inadequate. Agencies also complain that the quality prescribed by some Federal specifications is too low to meet their needs.

## 3. COST OF SPECIFICATION ACTIVITIES

Specification activities are ordinarily carried on by persons who devote only a part of their time to them. For this reason it is impossible to determine with any degree of accuracy the total amount of time spent in such activities or their cost to the Government. Incomplete data for the military departments show 1,095 man-years spent on specifications during the 1948 fiscal year at a salary cost of \$4,077,383. During the same year the Bureau of Federal Supply employed an average of 37 people with salaries totaling \$151,000.

## C. Recommendations

### 1. ORGANIZATION

a. Responsibility for Federal specification activities should be located in a standards division of the Central Supply Organization in the Executive Office of the President. The standards division would be assisted by the Federal Specifications Board, which should be continued. This Board, which includes representatives of the military as well as the civilian departments, should undertake to coordinate the Munitions Board and the Federal specification programs, with an appeal to the supply policy committee on any important matters of disagreement.

b. The standards agency of the Munitions Board should continue to be responsible for the development of a coordinated program of military specifications.

### 2. POLICIES AND PROCEDURES—RECOMMENDATIONS OF GENERAL APPLICATION

a. The range of commodities which can best be bought on standard specifications should be thoroughly studied by the proposed Central Supply Organization and by the Munitions Board, and should be subject to periodic review and check. The study made by the Central Supply Organization in particular should be directed toward determining which commodities should be covered by Federal Specifications.

b. Wider use should be made of the specifications of standardizing bodies such as the American Standard Association, American Society for Testing Materials, etc., and these specifications should be identified as such. Participation by Federal officials in the preparation of these specifications should be encouraged by amending the act of June 26, 1913, which prohibits use of Federal appropriations to pay membership fees in any association or to pay expenses of Federal officials to attend meetings (5 U. S. C. 83).

c. Greater use should be made of qualified products lists. These are lists which are prepared where it is impossible to write a specification to eliminate inferior products or where testing is a lengthy or expensive process. Such lists are widely used in private industry and are being used successfully by the military departments. The lists should be kept open at all times to manufacturers whose products can meet the tests prescribed. They should be centrally maintained for articles of common use.

d. Wherever possible specifications should call for articles which are commercially standard, should be written in terms of performance

rather than physical characteristics or composition, and should be readily understandable.

e. There should be more extensive participation by purchasing officers and inspectors in the process of preparing and revising specifications. In some cases more attention needs to be paid to obtaining the views of users of the articles.

### 3. POLICIES AND PROCEDURES—JOINT MILITARY SPECIFICATIONS AND STANDARDIZATION

a. Supplies and equipment used by more than one service should be standardized wherever possible. This may necessitate additional staff beyond that presently contemplated by the program of the Munitions Board. It may also necessitate strengthening the central standardization and specification organizations at the departmental level.

### 4. POLICIES AND PROCEDURES—FEDERAL SPECIFICATIONS

a. The preparation and revision of Federal specifications should be speeded up. This can be accomplished by substantially increasing the small specifications staff of the Bureau of Federal Supply and by assigning to the Bureau's technical assistants greater responsibility for preparing specifications; by greater selectivity in determining the articles for which Federal Specifications are to be written; by enforcing deadline dates for comments from Government agencies; and in other ways. Every effort should be made to impress upon the agencies the importance of Federal specifications.

b. The use of interim or tentative specifications during a trial period in which any defects would be revealed should become more general. If proven satisfactory, use of such specifications should then be made mandatory. Where there are now departmental specifications of general interest, the best of these might be promulgated as interim Federal specifications.

c. Wider distribution of Federal specifications should be made to the agencies, and the charges for them should be reduced or, if found practicable, be eliminated.

d. Federal specifications should provide for alternate qualities to meet agency requirements wherever practicable.

e. Use of Federal specifications should be mandatory upon all agencies in the executive, legislative, and judicial branches, including Government-owned corporations, unless emergency situations render their use inadvisable. Such situations involving purchases over \$1,000 in amount should be reported to the Central Supply Organization. The legislative and judicial branches and the corporations might also be represented on the Federal Specifications Board.

## D. Achievements Anticipated

These recommendations should result in more efficient and economical supply activities. The recommendations relating to purchase of commercially standard articles and greater use of specifications of standardizing bodies should stimulate wider competition and result in lower prices. Qualified products lists afford a means of excluding inferior products which cannot be accomplished successfully by the usual procedures. Further standardization of military supplies and equipment will make possible full realization of the advantages of single-service or joint-agency procurement, will permit pooling of stocks and reduction of the total amounts which must be carried, and will facilitate exchanges between the services either at the department level or in the field. In case of emergency it will ease the burden on industry, which during the war had sometimes to change production processes because of minor differences in specifications. Standardization of common parts will obviate much of the laying-up of equipment which occurred in theaters of operation during the war.

The increased staff recommended for the processing of Federal specifications should ultimately make possible some reductions in agency specification staffs. Duplication in the preparation of specifications would be eliminated and the quality of articles commonly used by Federal agencies would be improved. Continued use of obsolete specifications may prove worse than having no specifications at all. Good specifications make possible savings through the elimination of unnecessary types and varieties. For example, the Federal specification on roasting pans provides for 12 types instead of the 26 that were previously covered in five different agency specifications. The purchase of only one kind of type cleaner on specification has resulted in annual savings estimated at \$80,000. The savings to be derived from an adequate set of Federal specifications reflecting the latest commercial practices will be many times the small additional expenditure required to develop such specifications.

## V. INSPECTION

### A. The Problem

Inspection is an important part of the procurement process. This is particularly true in governmental buying, where the award must ordinarily be made to the lowest bidder. If the competition is spirited, the successful bidder, to make any profit, is sometimes compelled to supply the minimum quality consistent with specifications. In the absence of adequate inspection the temptation to supply an inferior article is great. Moreover, there is little use in preparing good specifications if no check is made on the quality of the article actually received. The term inspection, as used in this report, is the method or process of determining that the quality of materials or equipment received meets the requirements stipulated in the specifications, drawings or other purchase documents. It should be distinguished from examination by a stores or receiving clerk to determine that the quantity is correct.

The problem of inspection resolves itself into the questions:

1. Is there sufficient inspection of the materials and equipment bought to insure that the Government gets full value?
2. Are inspection services now organized in the most efficient manner?
3. How can present Federal inspection procedures be improved?

### B. Findings and Discussion

#### 1. CIVILIAN AGENCIES

In the civilian agencies there is no uniformity in quality of inspection, in controls, or in the basic concepts of inspection. In general, those agencies having highly technical problems have adequate inspection performed by skilled technicians who are not rated as inspectors. Other agencies have almost no inspection, with what little there is performed by clerks without any technical training. The Bureau of Federal Supply does not adequately inspect the items which it purchases mainly because of lack of appropriations. In general, inspection of deliveries under Federal supply schedule contracts is left to the agencies.

The National Bureau of Standards inspects cement and lamp bulbs for all Federal agencies, and maintains laboratories which are

used for testing other products. The inspection services and laboratories of the other civilian agencies are scattered throughout the country. While occasional arrangements are made by one agency to use the facilities of another, there is no central coordinating agency to insure the fullest and most effective use of these facilities.

## 2. MILITARY SERVICES

Nearly 6,000 people with total salaries of \$21,140,687 are engaged in inspection activities in the military services, including the Coast Guard. The quality of inspection is reasonably good, but there is great inconsistency in the concepts of what constitutes inspection and what related functions should be grouped therewith. Inspection offices are located throughout the country, and in many large cities there are separate inspection offices for each of several services, bureaus, and commands. There is also duplication of laboratory facilities in several cities.

## C. Recommendations

It is recommended that centralization of responsibility for inspection policies be established in both military and civilian agencies.

### 1. CIVILIAN AGENCIES

For this purpose, there should be established in the Central Supply Organization an inspection unit, as a part of a standards division, to carry out the following functions: (1) To determine what commodities purchased by the civil agencies are to be inspected and at what point; (2) to make inspection assignments on a reimbursable cost basis to those civilian agencies best equipped for the specialized responsibility; or, through the Munitions Board, to the appropriate military service; (3) similarly, to make testing assignments to those civilian laboratories, or, through the Munitions Board, to those military laboratories best equipped for specialized tests; (4) to prepare inspection manuals for the guidance of inspectors and receiving clerks; and (5) to develop rules and regulations on inspection policies and methods, and on inspection and testing procedures and channeling of reports. Government-wide inspection and testing assignments would be made by the Assistant to the President. It may prove desirable for the Central Supply Organization to have a small staff of its own to inspect commodities which it purchases. Such a staff should be kept small, with primary reliance being placed on the use of existing inspection services.

## **2. MILITARY SERVICES**

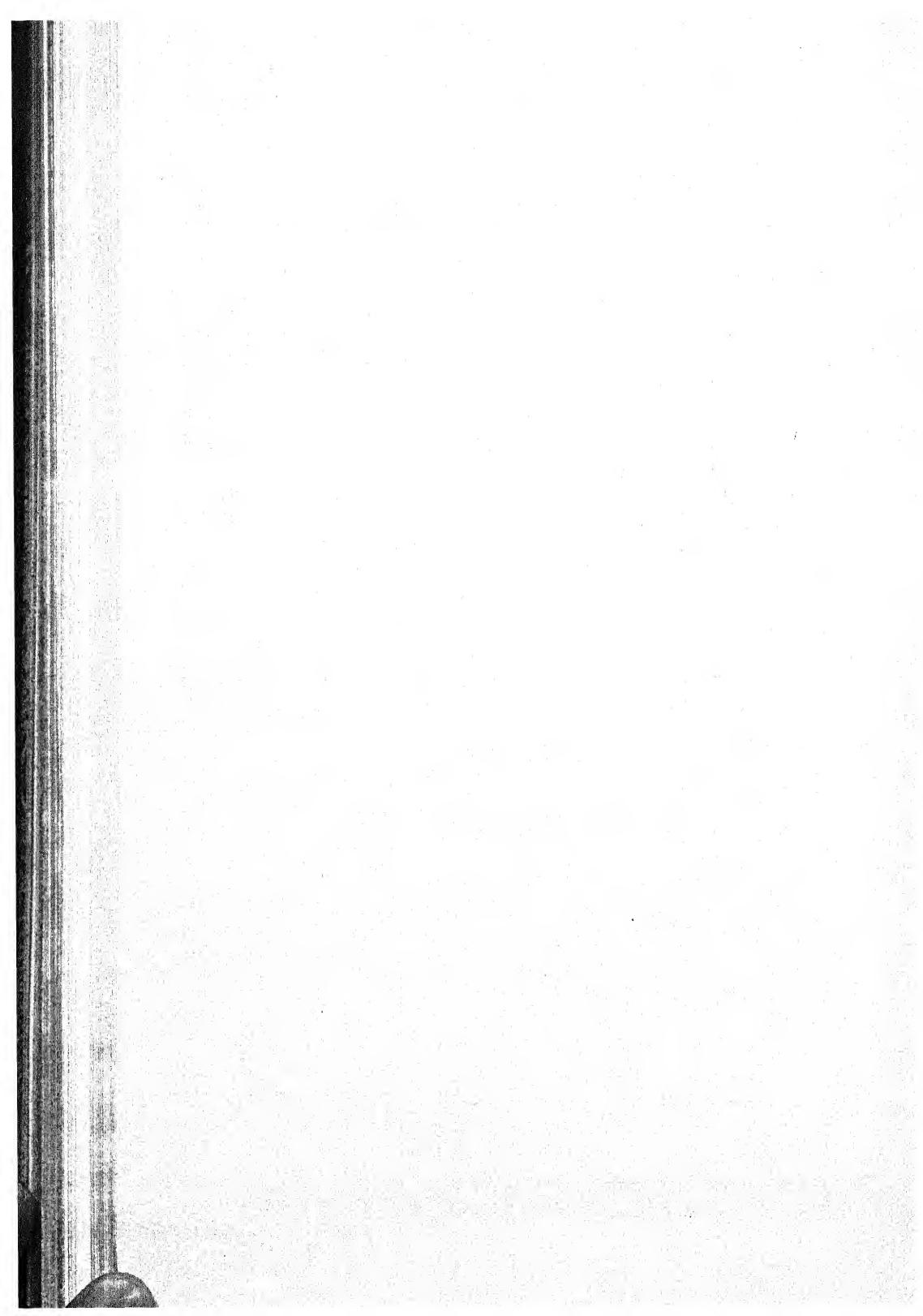
The Munitions Board should be authorized to study and to recommend the consolidation, as soon as practicable, of the inspection organizations in the National Military Establishment as an adjunct of the Office of the Secretary of Defense or as a permanent assignment to one of the three constituent departments. Consolidation would probably require an amendment to the National Security Act of 1947. Until such consolidation is completely effected, the Munitions Board should make "inspection assignments" to those units best equipped or most advantageously located to make inspections of given commodities for all three military departments and for the Coast Guard, and, in collaboration with the Central Supply Organization, to make available on a reimbursable cost basis the services of the military inspection units for inspections of given commodities for the civilian agencies. This last function should be continued even after establishment of a consolidated service.

The Munitions Board should also effect a similar coordination and utilization of military testing Laboratories, to make their services available for either the military or civilian requirements. And in the interests of economy, of uniformity and of elimination of the present overlapping and duplication of effort, the Munitions Board should also, pending establishment of a consolidated service, coordinate within the National Military Establishment, and with the Central Supply Organization, inspection manuals and rules and regulations on inspection policies and methods and on inspection and testing procedures and channeling of reports.

## **D. Achievements Anticipated**

The achievements anticipated are:

1. Definite improvement in quality of inspection in both military and civilian agencies. This will result in the Government obtaining better articles and will encourage reputable suppliers who may now be unwilling to compete for Government business.
2. Reduction in number of military and civilian personnel required for peacetime inspection in the military services as well as reduction in administrative expenses.
3. Adequate inspection provided for all the civilian agencies.
4. Utilization of the information obtained by and reported after inspections to improve specifications and purchasing.
5. More extensive and improved testing through greater utilization of the manpower and equipment in Government laboratories.



## **VI. PROPERTY IDENTIFICATION**

### **A. The Problem**

It is not yet definitely known how many items of personal property are used in the supply system of the Government; but various estimates run from 5,000,000 to 12,000,000 on the number of different items required to equip and supply its military and civilian activities. These millions of items, varying over a wide range in kind, size, origin, functional characteristics and use, must be procured, transported, stored, and issued; plans for procurement must be prepared, requirements must be drafted, requisitions must be filled; and all transactions must be properly recorded. The operating official who needs a piece of equipment or any supplies should know how to indicate the exact article he wants, and the purchasing or stores official getting the request should know precisely what is wanted and be able to furnish it.

Referring to all these operations, Griffenhagen & Associates, management consultants, in their Report on Item Identification prepared for the Army Service Forces (August 31, 1944) said:

When one considers the great number of places, people, and procedures involved in this process in combination with the great variety of articles and vast number of individual items to be handled, it becomes evident that problems of extraordinary and unprecedented magnitude are raised.

### **B. Findings and Discussion**

In a recent (June 1948) report of the Joint Property Accounting Staff representing the General Accounting Office, the Treasury Department and the Bureau of the Budget, the following facts were established:

1. Property cannot be managed if its identity, classification, location, quantity, and physical characteristics are not known.
2. In most Federal agencies studied, management does not appear to have adequate answers to questions pertaining to identification, location and quantity of property.
3. Many agencies presently do not publish or utilize any listing or catalog of the items regularly maintained in stock for issue. As a result, each operating activity either makes individual inquiry, or depends upon memory of past requisitioning experience to determine which items are kept in stock by the supply office.
4. Some agencies have permitted each supply point to devise its own catalog without regard to other supply points. As a result it is possible for some parts

of one agency to be overstocked while other organizational units in the same agency are making additional purchases on the same item.

5. The same article is designated by many different names and identification numbers in the various agencies. There does not exist any uniform catalog system which permits the identification, classification, and numbering of the materials, supplies, and equipment owned and used by all the agencies.

In the earlier studies made during the past 4 years by the Committee on Commodity Catalog and the United States Standard Commodity Catalog Board, the following conclusions were reached:

1. There are numerous instances when the same item, even within the records of the same agency, is listed under different names and under different numbers; in a case of two or more agencies keeping records of the same property items, duplications tend to increase practically without any controlled limit. For example, there is a case of a certain ball bearing variously identified under 239 different symbols.

2. The Munitions Board investigators reached the conclusion that the current systems of cataloging are unsatisfactory and weak; and Griffenhagen & Associates reported to the War Department that "a single system of item identification for the Army should have been adopted long before the war; if it had been in operation it would have saved hundreds of millions of dollars and possibly thousands of lives."

3. There are 17 unrelated systems for identification and listing in the form of catalogs now in existence in the technical services of the Army, the bureaus of the Navy, the Air Materiel Command of the Air Force and the Bureau of Federal Supply.

4. In all these unrelated catalog systems, the property items have no uniform name, no uniform groups and classes, and no uniform numbers. Such absence of uniformity in classification and identification creates complete chaos, as has been shown by all investigations made in the last 4 years.

A few illustrations of this situation would appear to be in order:

One manufacturer of steam turbines furnished a bearing liner assembly to the Navy at a cost of \$63. Catalog research revealed that another supplier furnished the same item, as a replacement part, at a cost of \$25. This research also revealed the identity of the prime manufacturer from whom the bearing liner assembly was later obtained for \$9.06.

Procurement savings of \$115,000 were effected in one Navy bureau through the cataloging analysis of oil seals, which resulted in the determination that 4,500 supposedly different items were actually only 879 different seals.

Extensive identification research on antifriction bearings revealed that bearings identified by 300,000 different numbers were actually only 9,000 different bearings.

## 1. PAST CATALOGING EFFORTS

Experiences in World War I, and the problems attendant upon the disposal of war surplus as an aftermath, focused attention upon the

need for a standard catalog of personal property. Fortunately, the Navy, under the leadership of Admiral Hicks, had been using its own standard stock catalog, preparation of which had begun in 1914. The Navy catalog, therefore, was available for use, with appropriate expansion, as the Federal Standard Stock Catalog.

Although the adoption and use of this catalog was a noteworthy achievement, the catalog proved inadequate for the problems posed by the immense expansion in number of items required for the mechanized operations of World War II.

Under the leadership of the Bureau of the Budget and with the active support of the War Production Board and other emergency agencies, a standard commodity classification was developed to replace the classification in the Federal Standard Stock Catalog. Meanwhile, the several branches of the armed forces proceeded along independent lines to formulate classifications and catalogs which each considered best adapted to its own expanding supply requirements. Consequently, at the end of World War II there were 17 different commodity catalogs and systems, each differing from the others in minor, but sufficiently important, details to bring about a "confusion of tongues" among the various catalog dialects. The results of this situation upon military operations have been pointed out immediately above and have been sufficiently aired in reports by responsible military officials so as to justify no further discussion at this point.

Taking cognizance of this costly confusion, the President, in January 1945, ordered the Director of the Budget to take the necessary action and to establish the necessary organization to formulate a "United States Commodity Catalog." The next 2 years saw much planning and indecisive discussion of technical details, but very limited progress toward the actual preparation of a catalog.

The United States Standard Commodity Catalog Board, an inter-departmental group formed under the leadership of the Bureau of the Budget in response to the President's directive, assigned to the Standards Branch of the Procurement Division (now the Bureau of Federal Supply) of the Treasury Department the responsibility for drawing up a catalog system and budgetary and operating plans for a catalog to be Government-wide in scope and use.

A central staff and technical committee worked zealously at the Standards Branch of the Procurement Division; and formulated general plans for a catalog system, except that the system of classification and identification to be used was never agreed upon. Detailed operating plans for cataloging through a central staff at the Bureau of Federal Supply were also prepared and were finally presented as a supplemental budget request of the Treasury to the Eightieth Congress well toward the close of its first session in the summer of 1947. This

last-minute request was rather hurriedly brushed aside, and the funds were denied, by the Congress which suggested instead that the various agencies concerned with cataloging should combine forces and ideas and present a request for clarifying and implementing legislation. Consequently, the central staff was perforce disbanded; and because of lack of funds and staff practically no progress has since been made in the field of cataloging by civilian agencies.

## 2. THE MUNITIONS BOARD CATALOGING AGENCY

On the other hand, some progress is being made in cataloging for the military services. In early 1947, an Army-Navy Catalog Agency was formed. This became the Munitions Board Cataloging Agency in late 1947 when, under the authority of the National Security Act, the Secretary of Defense delegated to the Munitions Board the responsibility for cataloging all items of supply used by the National Military Establishment. The cataloging plan adopted by this agency is in substantial conformity with the plan prepared under the sponsorship of the United States Standard Commodity Catalog Board, on which the military services had been represented.

As its goal, the Munitions Board Cataloging Agency determined to attempt the cataloging, within 3 years, of all the millions of items found in the supply systems and stock lists of the military bureaus and technical services. (The latest numerical estimates by the staff of the Munitions Board Cataloging Agency are that the military and civilian agencies list approximately 6,000,000 items, of which five-sixths, or 5,000,000, are in the National Military Establishment; that only one-half this number, or 3,000,000 items, are actually in use or in storage; and that, with the elimination of items which are now duplicated under different names in the separate catalogs, the final catalog will show 2,500,000 items used in the military services, and 500,000 additional items which are peculiar to the needs of the civilian agencies of the Government.) Because of delays and defects in organization, which are discussed below, the Munitions Board Cataloging Agency has recently revised its completion target date to 4 years from July 1, 1948.

### *a. Coordination With Bureau of Federal Supply*

An important action was taken in mid 1948 when the Munitions Board and the Bureau of Federal Supply signed a written agreement to coordinate their plans and efforts in the interests of a Government commodity catalog. Left to final determination by the Secretary of Defense and the Secretary of the Treasury, in the absence of prior legislative direction by the Congress, is the respective future responsibilities of the signatories, following completion of the work program of the

Munitions Board Cataloging Agency. Meanwhile, the Bureau of Federal Supply, pursuant to the written agreement, is now represented on the executive group and the technical group of the Munitions Board Cataloging Agency, thus insuring the much-needed coordination between the civilian and military interests in a field of paramount importance to both.

*b. Defects in Organization and Methods*

The military authorities are to be commended for their recognition that cataloging of all supply items according to uniform nomenclature is an essential to national defense; and for their current serious attempt to substitute action for discussion. The present program of the Munitions Board Cataloging Agency would, however, move ahead more rapidly with the removal of a number of serious defects in organization and methods, which can be accomplished as follows:

1. The Agency should have an adequate, permanent staff and be financed from the budget of the Munitions Board; as long as it has to rely upon allocation of funds from the three constituent departments of the National Military Establishment, it will not be able to operate as an impartial and uninhibited group;
2. The Secretary of Defense should, in terms which are unmistakable, serve notice on the bureaus and technical services that a standard catalog shall be speedily prepared and adopted; that, after its preparation, it must be used in all supply operations of all bureaus and technical services without modification; and that each bureau and technical service must assist in the preparation of the catalog by accepting, and promptly completing cataloging "assignments" by the Agency in whatever commodity classes it is made the cognizant body; and
3. The organization should be radically simplified. The Secretary of Defense is now separated by seven strata of authority from the civilian staff to whom are assigned the technical details. If the staff seek top-level approval of a phase of cataloging operations or of a budgetary request, it must have clearance by the executive group, by the technical group, by the Agency group, by the Procurement Section, by the Procurement Policy Council, by the executive committee of the Munitions Board, and by the Board itself, before it reaches the Secretary of Defense and his immediate staff. Although an extreme example of the channels of authority in Munitions Board operations, it illustrates a general situation. Simplification can undoubtedly be achieved; and it must be, if this undertaking, universally recognized by military authorities as of crucial importance to national defense, is to be completed and made effective within the work schedule of 4 years.

## C. Recommendations

### 1. CONGRESSIONAL ACTION REQUIRED

The Federal Commodity Catalog, to be the standard and sole catalog for the Government, requires coordinated action and centralized control. No department, however, is willing to be coordinated or controlled by any other department. The lack of enthusiasm is es-

pecially evident in old-line agencies with deeply rooted traditions. In addition, civilian agencies do not like the idea of being coordinated and regulated by a military organization; and, in turn, military services are not impressed at all by the possibility of being controlled by a civilian agency. In this impasse, the matter was permitted to drift for 2 years.

#### *a. Declaration of Congressional Policy*

It is believed that the important function of development, adoption, use, and maintenance of the Federal Commodity Catalog will not be satisfactorily solved until the Congress issues a policy statement to that effect; and implements such policy by providing statutory authority and the necessary funds. To be effective, it is suggested that such congressional statement of policy declare:

1. That the interests of national defense and effective personal property management demand that a single standard Federal Commodity Catalog shall be developed and properly maintained, covering all items used in the supply systems of all Federal agencies, military and civilian;
2. That the Federal Commodity Catalog shall identify, classify, and describe the millions of items of personal property used by all agencies and shall provide a standard reference language or terminology to be used by all persons engaged in the processes of supply (computation of requirements in relation to inventories and operating programs, procurement, storage, disposal, budgeting, and accounting);
3. That in the Federal Commodity Catalog each property item shall have but one name and one identification number and that no other names and identification numbers shall be used;
4. That all agencies concerned with part or all of the processes of supply shall use the Federal Commodity Catalog, and that no other catalog shall be used;
5. That all reports to Congress or to the President on production, export, import, procurement, utilization, and disposal of commodities shall be submitted in terms of the nomenclature of the Federal Commodity Catalog; and
6. That the system upon which the Federal Commodity Catalog is based shall include all necessary technical matter, such as item identification, classification, and stock numbering; preparation of "description patterns" and their use in establishing identification, and ascertaining interchangeability and substitutability of items; and for recording and presenting data pertaining thereto in a form which is understandable and usable in all supply operations.

#### **2. CATALOGING ORGANIZATION**

The Central Supply Organization in the Executive Office of the President should have, as a part of its standards division, a branch for the development and maintenance of the Federal Commodity Catalog. This organization unit should be headed by a person of the highest professional and administrative qualifications available.

The United States Standard Commodity Catalog Board should be

continued, but renamed as the Federal Commodity Catalog Board. The membership of such board should be representative of both military and civilian agencies, but should be determined and designated in behalf of the President by his Assistant responsible for the supervision and coordination of supply and other staff services.

#### *a. Responsibilities and Functions*

The Federal Commodity Catalog Board should be responsible for all technical elements of the catalog system, including development and recommendation of rules and regulations for: (1) Item identification, (2) commodity classification, (3) standard names, numbering system, and description patterns, (4) development and maintenance of the central catalog file, and (5) the mandatory application of the catalog to supply operations of all agencies of the Government.

The cataloging unit of the Central Supply Organization would become responsible, as of the date of its establishment, for completing the Federal Commodity Catalog with its own staff; or for delegating to other appropriate agencies certain portions of the cataloging task under rules and regulations developed by the Federal Commodity Catalog Board and prescribed by the Assistant to the President. (It is assumed that the Munitions Board cataloging agency would be authorized, under rules and regulations of the Assistant to the President, to complete the remaining portion of its program of cataloging all items used in the supply system of the National Military Establishment.) After the Federal Commodity Catalog is completed and promulgated, it would be the continuing responsibility of the cataloging unit to maintain the catalog; to distribute the catalog data on standard identification cards or in other satisfactory form to all agencies; to maintain a central catalog file of all items of personal property in military and civilian use; and to serve as the secretariat for the Federal Commodity Catalog Board.

#### **D. Achievements Anticipated**

The numbering, identification, classification, and description of items of supply and their inclusion in a catalog appear at first glance to be matters only of academic interest. On the contrary, the adoption and use of standard nomenclature is the very essence of an efficient supply system.

Without such common language, an effective program of personal property management borders on the impossible in an operation so vast as that of the Federal Government. With it, order can replace the current disorder in computation of requirements in relation to

inventories and operating programs; procurement; storage and issue; disposal; and other phases of the supply function.

Development of standard nomenclature and classification is also important for our national defense and for the successful administration of our aid to foreign countries. Preparedness and order demand that appropriate tools should be ready for use in a national emergency.

## VII. PROPERTY UTILIZATION

### A. The Problem

To achieve economical and efficient procurement of personal property, the Federal Government must know what is required and where. To have accurate forecasting of needs, the Government must know what it already has on hand not only in depot and stores stock but also at points of use; where the property is physically located; and whether it is being fully utilized.

Effective property utilization is not only necessary to curtail expenditures of public funds for new equipment by one part of the Government when used equipment is available by transfer from some other branch of the Government; but is also an important link in the chain of supply. Criticism is frequently leveled at the Government because one branch is in the market to buy material while another arm of the Government is in the market to sell the same material or has surpluses of such material lying idle.

Since buying in Government is widely dispersed among its many branches and further decentralized by many agencies to field stations in all sections of the country, and at some foreign points, the problems of coordinating the buying job with an effective Government-wide property utilization program is most complex. The problem becomes further complicated by rapid fluctuations in operating programs as the result of congressional action or for other reasons, the establishment of new agencies and the abolition of old ones, national emergencies and similar factors.

The attitude of Government officials toward personal property also hinders effective utilization. Each branch of Government invariably looks out for its own interests and too often fails to consider itself as just one segment of a single organization which must be geared to efficient and economical operation from an over-all standpoint. The agencies, and even bureaus within an agency, look upon property in their possession as agency property or bureau property and not Government property. They do not relish relinquishing that property to other parts of the Government even though they cannot prove current need for it.

The point is often convincingly made that theirs is a fluctuating program; and that if equipment not currently in use is released, they may later have need for it which cannot be met with funds appropriated by the Congress. All too often, however, these same agencies fail to con-

sider the total cost of retaining the excess equipment by ignoring overhead charges for storage, depreciation, maintenance and record keeping; nor do they consider actual needs of others in relation to their own conjectural needs.

Accurate and current statistics on equipment in use throughout the Government is completely lacking. Many of its branches have failed to maintain inventory records of property. In many cases those that do maintain property records have not reconciled these records with physical inventories in years. It is simply impossible to gather reliable figures on quantity and dollar value of personal property in use.

The Bureau of the Budget has just recently been fairly successful in securing data on the number and kind of automotive vehicles in use throughout the Government. As of June 30, 1947, the civilian agencies only reported a total of 72,204 vehicles within the continental limits of the United States. Complete figures were not submitted by the military services; but the Bureau estimates that automotive vehicles in the Government as a whole now total approximately 1,000,000. It is quite apparent that effective utilization of this one type of property alone presents a management problem unequaled in private industry and almost beyond comprehension of the average individual.

The magnitude and complexity of the problem is further illustrated by the expenditure of more than \$6,000,000,000 annually by the Federal Government for supplies, materials, and equipment, as shown in the introductory pages of this report. Expenditures for supplies and equipment are still on the upgrade, as they have been for years. Government spending on this huge scale should not be allowed to continue without more effective control for full utilization of property already owned.

## B. Findings and Discussion

Over the years, agency management generally has devoted far too little attention to effecting needed economies through maximum use of personal property. No central authority at the present time prescribes Government-wide policies, procedures, and systems. Each department and independent establishment devises its own system and procedures. Consequently, there is a wide variety of property controls. Some agencies maintain no property controls of any kind, and numerous agencies have not inventoried their property in years. Agencies generally fall into two extremes: either they have no records and ignore the subject of property control entirely; or else they have excessive and costly record systems which emphasize personal accountability alone and which are not adapted to assisting management secure full utilization.

Excess, surplus, or obsolete items are not promptly disposed of, which results in unnecessary storage and handling costs. This is attributed in part to recalcitrance of the agencies to declare their surpluses when experience has indicated that the central disposal agency may not act on their declarations for unconscionable periods of time. It is due principally, however, to the indifferent attitude of agency officials and the failure of agency management to enforce inspection for excess stocks. Invariably Government officials fail to consider goods on hand in relation to needs and will pile up excess upon excess unless kept to the minimum by higher authority inspection and audit of their equipment needs. The consistent upswing in buying at the end of the fiscal year is another indication that buying in Government generally is based upon the availability of funds rather than careful planning of needs. Until agency management recognizes the need for better planning and some means is developed to disgorge excesses, there can be no real utilization program in the Federal Government.

The transfer of Government property between its branches at appraised value or fair value has a tendency to freeze transfers and is not conducive to effective utilization. On the other hand, transfers without charge would undoubtedly contribute to the accumulation of excesses by the operating units unless there is proper inspection by agency management and especially by some central control.

Office furniture is subject to excessive wear and tear from frequent and numerous moves within and between public buildings. Not only does office furniture greatly deteriorate as the result of these frequent moves; but the moving costs alone far offset the advantages (if there are any) to the age-old custom and practice of each branch considering itself as the owner of the property in its custody.

It is believed that property utilization as an organizational function does not present the same problem in the military services as in the civilian agencies. The military services, by reason of the nature of their operations and responsibilities, prescribe standard allowances to which each organizational unit purportedly is held by a system of reports and by periodic inspection. Most civilian agencies, however, generally determine the requirements of their operating units on current individual unit needs and not by the fixing of standard allowances. Further, the military distributes the bulk of its equipment through supply depots and usable excess at organizational levels can be returned to depot stocks for reissue. Most civilian establishments, on the other hand, fulfill their equipment needs by individual purchases with direct delivery from the vendor to the particular requisitioning unit which becomes the owner in fee simple and from which it can be pried loose only with great effort. The very nature and functions of military supply as distinguished from civilian supply dictate the need for vastly different logistics organization. The effectiveness of

the property utilization function for the military services, however, is dependent upon the fixing of allowances at proper levels and also upon the efficiency of the stock control systems employed. As indicated under the Storage and Issue section of this report, these systems cannot be fully effective and economical until the independently operated supply activities of the various branches of the military services are brought under central control and more closely unified.

Although the problem of property utilization as a function does not appear as pressing in the military services as it does in the civilian agencies, there is dire need for a standard cataloging system to simplify utilization and for closer coordination between the several departments of the National Military Establishment and with the executive departments and independent establishments to promote greater utilization of personal property within the Government as a whole.

There is a lack of centralized repair and maintenance shops serving the Government as a whole. The Bureau of Federal Supply, Treasury Department, operates central typewriter, furniture, and automotive repair shops in the District of Columbia. However, they are central shops in name only. Plagued with space shortages and inadequacy of operating capital these shops have not been in a position to render complete service to all potential customers. Consequently, many agencies operate their own shops or use commercial service facilities. There is no consistency in the pattern; some agencies rely wholly on the Bureau of Federal Supply shops and are completely satisfied with the service and charges made. Others complain that prices charged are too high and that service is inadequate in justification of their own shops or purchases of service from commercial sources. In the field, the Bureau of the Budget has been successful in consolidating a number of automotive and equipment repair shops in the same city or area with that agency facility best equipped to act as the central equipment shop. The Bureau of the Budget is continuing its efforts to minimize duplicate repair and maintenance shops. It should be encouraged to continue this program, so significant from the economy standpoint, and should have adequate funds to expand its current efforts.

### C. Recommendation

Responsibility for effective utilization and the orderly and economical disposal of surplus personal property should be vested in the Central Supply Organization to the same degree and extent that it is charged with other supply responsibilities. The Central Supply Organization should prescribe policies, rules and regulations, and develop a standard system or systems for effective property utilization to be operated within the civilian agencies. It should see that the

agencies conform to these standards; and that property functions are administered on an economical basis through its continuing surveys of supply operations.

Transfers of property between agency appropriations and between agencies should be without charge; except that property rehabilitated and redistributed through the Central Supply Organization should be at the cost of repairs and handling, based upon a fixed and fair average of the costs thereof which would be computed by the Central Supply Organization in the same manner that it averages the costs of new stock items. Transfers between agency appropriations and between agencies should be reported to the Bureau of the Budget and to the Congress as directed by the Bureau and Congress, respectively.

The heads of departments and establishments should be charged with the responsibility of maintaining accurate and current inventory records; for continuously surveying property on hand in the light of existing or reasonably anticipated needs; and for promptly disposing of property excess to their needs. Physical inventories of property in use should be taken at least biennially and reconciled with the equipment record accounts. The Central Supply Organization should, as one phase of its continuing surveys, inspect for unwarranted accumulations of excess and report its findings to the head of the agency and, after appropriate hearings with the agency, to the Bureau of the Budget.

The property utilization function should be a part of the supply organization in each agency and should be closely coordinated on policies with the budget and planning groups. Purchase requisitions should clear the agency property unit; and requisitions calling for equipment listed as controlled by the Central Supply Organization should be further cleared with that organization by the agencies before proceeding with purchase from commercial sources.

Civilian agencies carrying on extensive field operations should organize their property utilization functions on an area basis to that needs in a given area may be matched with excesses in that area to effect the greatest possible utilization with the minimum of paper work and shipping costs. It might in time be advisable to establish area offices of the Central Supply Organization to supplement or supplant the agency area property offices; however, the practicability and economy of this plan should be determined after appraisal of the agencies' area property offices over a sufficient trial period.

The Munitions Board should have authority to determine rules and regulations for a standard system of military property utilization on an interdepartmental basis comparable to the authority of the Central Supply Organization for the civilian establishments. The Central Supply Organization should administer military surpluses in the same manner that it does for the civilian branches.

Insofar as possible, office furniture should remain in Government buildings and should not be moved with each shift of personnel from office to office and from building to building. To accomplish that goal each executive agency which is responsible for the maintenance, operation, and management of the space in buildings occupied by the Government should also be the custodian agency for the office furniture in such buildings. The Secretary of the Treasury, the Postmaster General, the Secretary of Defense, and the Administrator, Federal Works Agency should therefore, be named custodians of the furniture within the buildings under their respective jurisdiction.

The Bureau of the Budget should continue and redouble its efforts to eliminate overlapping and duplicative repair and maintenance facilities.

#### D. Achievements Anticipated

There has long been a need for a more efficient and businesslike system of personal property management in the Federal Government. The integration and centralization of policy control over procurement, utilization and disposal of property into one central agency is the first step in that direction. This step alone should provide an essential coordination of these functions, which has heretofore been lacking.

Proper development and standardization of property utilization policies, rules, regulations, procedures and systems by a central agency should eliminate wasteful practices, reduce operating overhead, simplify procedures, minimize paper work and otherwise provide for improved administration.

Requiring constant surveillance by each agency of property in its custody, and vesting authority in a central agency to make surveys of such property and management practice in respect thereto, will, if efficiently administered, provide for maximum utilization of property already owned by the Government and will confine the purchasing of new equipment to actual needs.

Designating the heads of those executive agencies responsible for the maintenance, operation and management of the space occupied by the Government as custodians of office furniture in such buildings, and discontinuing the practice of moving furniture with personnel, should result not only in great savings in the expense of such moves but will also prolong the life of the personal property involved. It should also achieve a greater degree of utilization through elimination in each agency of stockpiling of office furniture beyond necessary reserves which has always been a problem in the past and is currently one of a pressing nature.

## VIII. OUTLINE OF RECOMMENDED LEGISLATION

### A. Enactment

#### PERSONAL PROPERTY MANAGEMENT ACT<sup>1</sup>

SECTION 1. STATEMENT OF PURPOSE: It should be stated that it is the intent of Congress, in enacting this legislation, to provide for the Government an economic and efficient system for (a) the procurement and supply of personal property and nonpersonal services; (b) the utilization of available property; and (c) the disposal of surplus property.

SEC. 2. DEFINITIONS: The following terms should be defined:

(a) Agency (to include legislative, judicial, and civilian executive branches and Government-owned corporations); (b) personal property; (c) excess personal property; (d) surplus personal property; (e) care and handling; (f) person; (g) nonpersonal contractual services; (h) supply; and (i) assignments.

SEC. 3. There should be, in the Executive Office of the President, a Central Supply Organization,<sup>2</sup> at the head of which should be a Director appointed by the Assistant to the President, without regard to the civil service and classification laws and solely on the basis of professional competence and experience and who should receive a salary of \$20,000 per year.

SEC. 4. The Central Supply Organization should have a purchase and stores division, a traffic management division, a property utilization division, a standards division and such other divisions as may be found necessary.

There should be, at the head of each division, an Assistant Director, who should be appointed by the Director without regard to the civil service and classification laws and solely on the basis of professional competence and experience and who should each receive a salary of \$17,500 per year. Provisions should also be made, in the traffic man-

<sup>1</sup> It is suggested that the Congress take into consideration the need for comprehensive legislation also on the management of the Government's real property, which would involve space allocation, custody of furniture and office equipment, and maintenance of public buildings; telephone, telegraph, and other communication services; and shops and other facilities for repair and maintenance of personal property. These important subjects were outside the scope of the Federal supply project; but are closely interwoven with the supply function and are of extreme importance from the standpoint of efficiency and economy in administration.

<sup>2</sup> The name "Central Supply Organization" is used here only because it seems best descriptive of the scope of authority and of the responsibilities of the recommended agency.

agement division, for a division counsel and assistant division counsel similarly appointed and experienced in transportation law and in practice before regulatory bodies. The Director should also be authorized to employ experts under the provisions of section 15 of the act of August 2, 1946 (5 U. S. C., sec. 55a).

SEC. 5. (a) The Federal Specifications Board should be continued. The members of the Board should be appointed by the Assistant to the President, and should include representatives of the civilian agencies as recommended by the Director of the Central Supply Organization, and of the military agencies as recommended by the Munitions Board. The Board should have responsibility for the preparation, revision, and adoption of Federal standard specifications. The specifications should be promulgated by the Assistant to the President and their use made mandatory for all agencies, except in emergencies.

(b) There should be created a Federal Commodity Catalog Board. Its members should be appointed by the Assistant to the President and should include representatives of the civilian agencies as recommended by the Director of the Central Supply Organization, and of the military agencies as recommended by the Munitions Board. It should be authorized to develop and maintain, for promulgation by the Assistant to the President, the Federal Commodity Catalog, identifying, classifying, describing, and numbering all items of personal property used by the Government; and to develop rules and regulations, for promulgation by the Assistant to the President, making the use of the catalog mandatory in the supply system of both civilian and military agencies of the Government.

(c) The Central Supply Organization should provide the Federal Specifications Board and the Federal Commodity Catalog Board with the necessary secretariat, facilities, and such other assistance as they may require, and should distribute copies of Federal specifications, and catalog data.

SEC. 6. The Central Supply Organization should have authority as follows:

*a. General*

1. To fix policies and procedures, and to promulgate rules and regulations concerning the function of supply, including purchase, storage and issue, inspection, utilization, and disposal of Federal personal property in the legislative, judicial, and civilian executive branches of the Government, including Government-owned corporations.

2. To make surveys and investigations on all aspects of the supply function in all agencies of the Government and to determine compliance with its policies, rules, and regulations.

3. To establish and maintain headquarters, branch offices, store-houses, and other necessary facilities in the District of Columbia and elsewhere in the United States and to require their use by the civilian agencies.

4. To assign functions within the field of supply to its subdivisions and to other civilian agencies.

5. To require the maintenance by all civilian agencies of accurate records of operating costs, including administrative and supervisory costs for all supply operations, based upon standards prescribed by the Treasury Department.

6. To coordinate the supply activities of the civilian agencies with those of the military through the Munitions Board.

7. To consult with and assist the Civil Service Commission in the development of standards for professional and technical personnel in the supply field.

8. To cooperate with the Bureau of the Budget in the preparation of standard purchasing and contracting forms for promulgation as standards by the Assistant to the President.

9. The powers and duties now imposed on the Bureau of Federal Supply, Treasury Department, by section 1 of Executive Order No. 6166 of June 10, 1933, and by other statutes, Executive orders and regulations, should be transferred to the Central Supply Organization; the records and property, including balances of appropriations, now in the custody of the Bureau of Federal Supply, should be similarly transferred; and the Director of the Central Supply Organization should be authorized, within his sole discretion, to transfer from the Bureau of Federal Supply, such of the personnel as he may find useful and necessary in staffing the Central Supply Organization.

*b. Purchasing*

1. To have functional control over all purchases by civilian Executive agencies and by agencies of the legislative and judicial branches, including Government-owned corporations, except purchases by such corporations for resale, for price support or subsidy payments, or purchases of strategic and critical materials for the national stock pile.

2. To prescribe policies and procedures, and to promulgate rules and regulations concerning purchases by the civilian agencies of the Government and to cooperate with the Munitions Board in the formulation of uniform procurement policies, methods, and procedures with respect to purchasing throughout the Government.

3. To make, and to rescind or change, purchase assignments among civilian agencies and, in cooperation with the Munitions Board, to develop, for the approval of the Assistant to the President, single purchase assignments of items common to the use of both military and civilian agencies.

4. To make such purchases as it deems expedient for all civilian agencies of the Government.

5. To require agencies to submit requisitions for their requirements, in such form, at such times and for such interim periods as it may prescribe.

6. To prepare and award Federal supply schedules and to make their use mandatory by all agencies both in Washington and in the field.

7. To establish policies and procedures and make rules and regulations for purchasing by the civilian agencies under the Armed Services (Federal) Procurement Act, as extended to them.

8. To prescribe rules and regulations for collecting and maintaining information on the responsibility or irresponsibility of bidders, and for disseminating such information throughout the Government.

9. To make purchase analyses, and surveys and studies of purchasing practices in all agencies and to maintain essential statistical data.

10. To make purchases of, and to distribute, standard printed forms and blank books manufactured by the Government Printing Office; prison-made and blind-made products; and any other products of Government agencies.

*c. Storage and Issue*

1. To exercise functional control over all storage and issue activities; to make surveys and studies in all agencies; and to prescribe rules and regulations concerning stocking levels and other operations of storage facilities of civilian agencies.

2. To establish and maintain central and regional storehouses and to designate the functions which they shall perform.

3. To require agencies to submit requisitions for their requirements in stock items, in such form, at such times and for such future periods as it may prescribe.

4. To make, and to rescind or change, storage assignments among civilian agencies and, in cooperation with the Munitions Board, to develop, for approval by the Assistant to the President, single storage assignments of items common to the use of both military and civilian agencies.

5. To merge, consolidate, or liquidate any storage facilities operated by a civilian agency which it finds, after investigation, to be necessary.

6. To require agencies to make advance allocations of funds for the purchase of supplies from storage and to account monthly for such advances.

7. To have a revolving fund amounting to at least \$50,000,000, for financing its storage and issue operations, and also for financing purchases on a seasonal basis of common use items for direct delivery to civilian agencies.

*d. Traffic Management*

1. To exercise functional control over traffic management for all military and civilian agencies so that the Government shall obtain the most efficient transportation of its property at the lowest possible costs.

2. To maintain liaison in traffic management matters with supply units throughout the Government; to conduct continuing research on Government transportation costs; to advise purchasing units on traffic problems; to prepare and maintain classification and routing guides, to control routing of Government shipments other than military shipments; to examine carriers' bills to the extent necessary to control over-charges and excess payments and to obtain needed traffic data; to provide for equitable distribution of the traffic of civilian agencies; and, under orders promulgated by the Assistant to the President, to represent all agencies of the Government in negotiating special quotations and changes in carriers' tariffs, and in proceedings before transportation rate-making and regulatory bodies.

3. To prescribe rules and regulations governing shipping methods and procedures, packaging methods, and uniform shipping documents and contracts for the civilian agencies.

*e. Standards*

1. To develop, for the approval of the Federal Specifications Board and for promulgation by the Assistant to the President, standard specifications common to the needs of both military and civilian agencies and rules and regulations making mandatory their use by all agencies, except in emergencies.

2. To establish and maintain master lists of "qualified products" and to make rules and regulations covering their use by civilian agencies.

3. To prescribe rules and regulations covering inspection or testing of commodities purchased either by itself or by any other civilian agency of the Government; to make, and to rescind or change, inspection or testing assignments among civilian agencies; and, in cooperation with the Munitions Board, to develop, for approval by the Assistant to the President, single inspection or testing assignments for items common to the use of both military and civilian agencies.

4. To develop and maintain, for approval by the Federal Commodity Catalog Board and for promulgation by the Assistant to the President, a Federal commodity catalog covering all items used by both military and civilian agencies; and to develop, for approval by the Federal Commodity Catalog Board and for promulgation by the Assistant to the President, rules and regulations making mandatory the use of such catalog, and the names, description and identification numbers therein, by all agencies of the Government in all their supply operations.

*f. Property Utilization*

1. To prescribe policies, rules, and regulations for effective property utilization within the civilian agencies and to make all necessary surveys in connection therewith.
2. To direct the transfer of property, which it finds to be excess to the needs of any civilian agency, to itself for disposal or to any other agency for use, without reimbursement but with a charge for care, handling, and rehabilitation, and to report all such transfers to the Bureau of the Budget and to the Congress.
3. To prescribe rules and regulations for the exchange, sale or trade-in of any property owned by the United States in connection with the purchase of other articles of a similar nature.
4. To prescribe rules and regulations for the disposal by itself of any Government personal property declared or found to be surplus within the continental United States, whether from military or civilian agencies; to make, and to rescind or change, disposal assignments among other military or civilian agencies; or to repair or recondition such property for issue to any agency, and to deposit the net proceeds of its own disposal transactions to miscellaneous receipts of the Treasury.

**B. Amendments**

**1. THE NATIONAL SECURITY ACT OF 1947**

The National Security Act should be amended to provide that the Secretary of Defense shall have power, and may authorize or direct the Munitions Board:<sup>3</sup>

- a.* To make assignments of functions of procurement, storage, and issue, specification development, inspection, testing, cataloging, and transfer, exchange, sale, or trade-in of personal property among the military agencies and to eliminate overlapping facilities.
- b.* To prepare plans for his approval covering necessary changes in the departmental structure of the Army, Navy, and Air Force, to achieve simplification and coordination in supply organization and staff.
- c.* To integrate and unify policies, rules and regulations, standard forms and procedures with respect to procurement, storage and issue, traffic operations, inspection, testing, specifications, property identification, and property transfer and utilization.
- d.* To formulate policies and coordinate activities within the Na-

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<sup>3</sup> It is recommended also that the name of the Munitions Board be changed, perhaps to "Mobilization and Logistics Board," to reflect more accurately its present, and proposed additional functions.

tional Military Establishment with respect to the routing of military traffic, and to coordinate with the Central Supply Organization on all traffic management matters.

e. To make surveys of property in the military agencies and to provide, by regulations, for transfers of excess property in any such agency to any other for use.

f. To cooperate with the Central Supply Organization in the development of plans, policies, regulations, and single assignments for the purchase, storage and issue, inspection and testing of items common to the use of both military and civilian agencies; in the development of Federal specifications through the Federal Specifications Board; in the development and maintenance of the Federal Commodity Catalog through the Federal Commodity Catalog Board; and in the development of Government-wide standard systems for property utilization and disposal.

g. To formulate plans for the integration of the supply system of the Marine Corps with that of the Navy; and for the coordination of the supply system of the Coast Guard with that of the Navy.

h. To include the Coast Guard in the development of joint military specifications.

i. To prepare a catalog of all commodities used by the National Military Establishment and to make the use of such catalog mandatory in all supply operations of all military agencies.

## 2. THE ARMED SERVICES PROCUREMENT ACT

The Armed Services Procurement Act should be amended:

a. To change its name to the Federal Procurement Act and to make it applicable to the civilian agencies under rules and regulations to be prescribed by the Central Supply Organization.

b. To permit, in cases where bids are received for parts of requirements, the acceptance of reasonable bids, the rejection of unreasonable bids and negotiation for the balance of the requirements; and to eliminate the provision (sec. 2 (c) (15) (B)) that the negotiated price shall be less than the lowest bid price.

c. To authorize the purchase of nonperishable subsistence by negotiation (by striking out, in sec. 2 (c) (4), the word "perishable").

d. To increase to \$100,000 the value of experimental and developmental contracts which may be awarded without the specific approval of the assistant secretary of the department involved (sec. 7b).

## 3. MISCELLANEOUS

a. Revised Statutes, section 236, as amended by section 305 of the Budget and Accounting Act of 1921 (31 U. S. C., sec. 71), should be amended to provide that, except in cases of fraud or embezzlement, the

accounts of certifying officers shall be credited for every expenditure made on behalf of the Government; and that the Comptroller General, in cases where he believes expenditures have been incurred not in accordance with law, shall report the facts thereof to the Congress in a manner similar to that provided by the Government Corporation Control Act.

*b.* Revised Statutes, section 197 (5 U. S. C., sec. 109), should be amended to include the head of each department or executive agency and to provide that the required continuous inventory of personal property should be reconciled at least biennially by physical inventories. Heads of agencies should, in the same section, be made responsible for making a continuous survey of property in their respective custody in the light of estimated reasonable needs, and for the prompt disposition of excess property in accordance with regulations of the Central Supply Organization or of the Munitions Board.

*c.* Section 23 of the act of January 12, 1895 (44 U. S. C., sec. 117), should be amended by deleting therefrom the final words "for printing and binding." (The elimination of this phrase would enable the agencies to purchase standard and other forms, stationery and envelopes out of their more flexible appropriations for "supplies," rather than from appropriations for "printing and binding.")

*d.* The act of June 26, 1912 (5 U. S. C., sec. 83), should be amended to the extent of permitting members of agency supply units, of the Munitions Board and of the Central Supply Organization to belong to, and attend meetings, at Government expense, of standardizing and professional bodies.

*e.* Section 1 of the act of June 28, 1944 (39 U. S. C., sec. 321c), should be amended by striking out the words "procured or." (The removal of these words from the penalty mail statute would free the agencies from the obligation to purchase mailing envelopes and wrappers from the Postmaster General and enable them to be purchased by the Central Supply Organization or by any agency to which a "purchase assignment" is made.)

*f.* Section 18 of the act of January 12, 1895 (44 U. S. C., sec. 33), setting forth the duties of the Public Printer, should be amended by striking out the words "to purchase all materials and machinery which may be necessary for the Government Printing Office."

*g.* Section 22 of the act of January 12, 1895 (44 U. S. C., sec. 35), should be amended by striking out the words "the quantity and cost of all paper purchased for the same; a detailed statement of all proposals and contracts entered into for the purchase of paper." (This amendment would limit the report of the Public Printer to a statement of the condition, quantity, and cost of printing, binding, and engraving, the cost of the materials purchased by him and other details of his establishment.)

*h.* Section 2 of the act of February 27, 1929 (41 U. S. C., sec. 7b), should be amended by striking therefrom the following words in the second sentence: "including breakage, shrinkage, transportation, cost of handling by the Treasury Department, and inspection." (These words provide authority for the surcharge system in both purchase and stores transactions.)

## C. Repeals

The following statutes should be repealed:

### 1. *Relating to the Government Printing Office*

*a. Purchase of paper:* Sections 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 16, and 26 of the act of January 12, 1895, as amended (44 U. S. C., secs. 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 16, and 36).

*b. Disposal of material:* Sections 21 and 29 of the act of January 12, 1895, as amended (44 U. S. C., secs. 56 and 57); and section 3 of the act of July 9, 1919 (44 U. S. C., sec. 59).

*c. Purchase of paper, envelopes, blank books, and forms:* Section 1 of the act of June 28, 1902 (44 U. S. C., sec. 227); and section 1 of the act of June 7, 1924 (44 U. S. C., sec. 225).

*d. Purchase of inks, glues, and supplies:* Section 1 of the act of June 30, 1932 (44 U. S. C., sec. 62).

### 2. *Authorizing exchange or trade-in of specific types of property in part payment for or in connection with purchase of new*

*a. All departments:* Act of March 4, 1915 (41 U. S. C., sec. 26); act of June 5, 1920 (41 U. S. C., sec. 27); and act of April 15, 1937 (5 U. S. C., sec. 118d).

*b. Department of Agriculture:* Act of August 10, 1912 (5 U. S. C., sec. 545); act of August 10, 1912 (7 U. S. C., sec. 392); act of June 30, 1914 (5 U. S. C., sec. 546); and act of March 4, 1915 (5 U. S. C., sec. 548).

*c. Department of the Army:* Act of March 4, 1915 (10 U. S. C., sec. 1273); act of August 29, 1916 (10 U. S. C., sec. 1271); act of May 12, 1917 (10 U. S. C., sec. 1272); and act of May 11, 1939 (10 U. S. C., sec. 1271a).

*d. Federal Security Agency:* Act of August 1, 1914 (24 U. S. C., sec. 173); and act of June 12, 1917 (24 U. S. C., sec. 174).

*e. Department of the Interior:* Act of March 2, 1917 (5 U. S. C., sec. 494); and act of January 24, 1923 (16 U. S. C., sec. 9).

*f. Interstate Commerce Commission:* Act of August 1, 1914 (49 U. S. C., sec. 58).

*g. Department of the Navy:* Act of August 22, 1912 (34 U. S. C., sec. 531a); act of August 29, 1916 (34 U. S. C., sec. 532); act of March 4, 1917 (34 U. S. C., sec. 723); and act of June 6, 1941 (34 U. S. C., sec. 532a).

*h. Smithsonian Institution:* Act of March 3, 1915 (24 U. S. C., sec. 66).

*i. Treasury Department:* Act of July 19, 1919 (40 U. S. C., sec. 118); and act of June 6, 1941 (14 U. S. C., sec. 31b).

### *3. Special purchase provisions*

*a. By Congress:* Revised Statutes, sections 65, 66, 67, 68, and 69 (2 U. S. C., secs. 106, 107, 108, and 109), authorizing the Secretary of the Senate and the Clerk of the House of Representatives to purchase stationery; section 1 of the act of March 3, 1887 (2 U. S. C., sec. 112), relating to the purchase of stationery and materials for folding; and section 1 of the act of June 5, 1920 (2 U. S. C., secs. 110, 111), relating to the purchase of paper, envelopes, blank books and supplies for resale to Members.

*b. By the Postmaster General:* Act of June 26, 1906 (39 U. S. C., sec. 355), requiring him to contract for all envelopes, stamped and otherwise, for the use of all departments; and section 3 of the act of April 28, 1904 (5 U. S. C., sec. 366), providing for the appointment by the President of a purchasing agent for the Post Office Department.

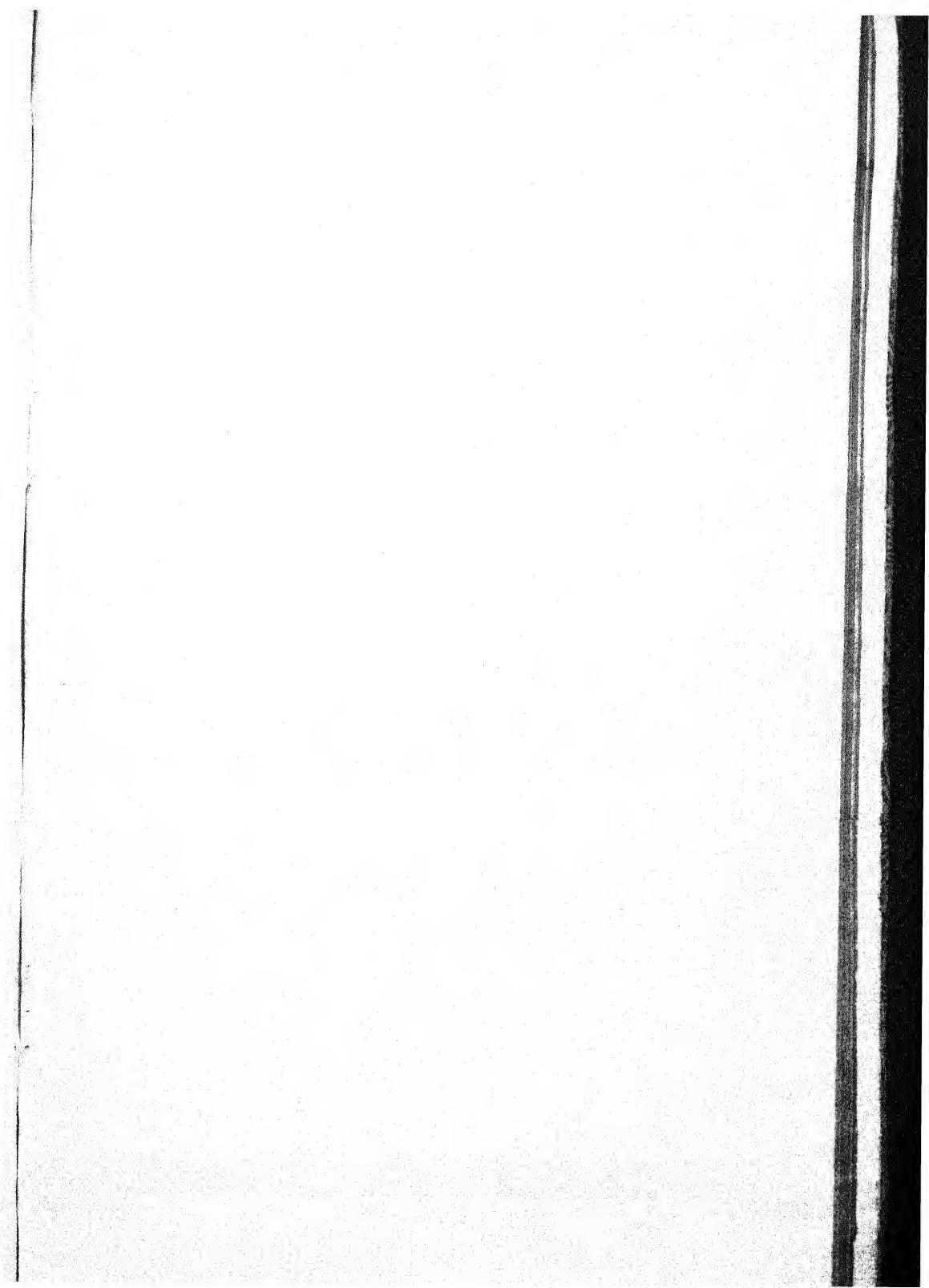
### *4. Disposal of surplus property*

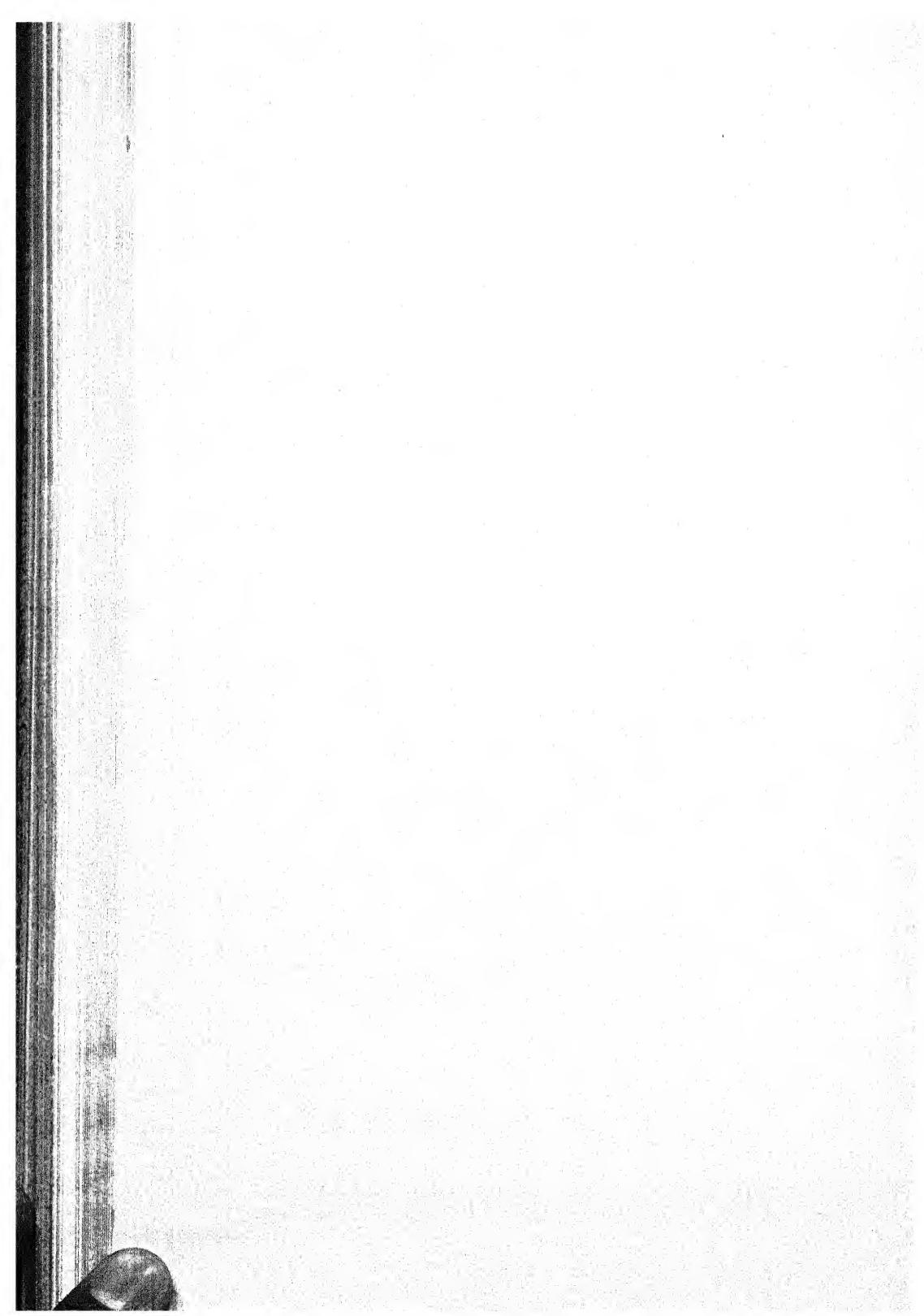
There should be wholesale repeal of the statutes governing the disposal of the surplus personal property. Nearly 400 are listed in Public Affairs Bulletin No. 29 of the Library of Congress, entitled "Disposal of Government-Owned Personal Property," of April 1944. (See also the summary listing of such statutes in the section on Statutory Changes Required of the Detailed Report on Property Utilization.)

### *5. Miscellaneous*

*a. Relating to advertising:* Act of June 20, 1878 (44 U. S. C., sec. 322) requiring a sworn statement from the publisher that the rates charged the Government are no greater than the commercial rates charged to private individuals.

*b. Maximum term for supply contracts:* Section 3732 of the Revised Statutes (41 U. S. C., sec. 13), limiting supply contracts to 1 year from the making thereof.





# *Records Management in the United States Government*

A REPORT WITH RECOMMENDATIONS

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P R E P A R E D   F O R

THE COMMISSION ON ORGANIZATION OF THE  
EXECUTIVE BRANCH OF THE GOVERNMENT

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*by*

Emmett J. Leahy, Executive Director, National Records Management Council. Consultants to  
the Commission and the Council: Herbert E. Angel, Department of National Defense; Robert  
H. Bahmer, Assistant Archivist of the United States; Frank M. Root, West-  
inghouse Electric Corporation; Edward Wilber, Department of State

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## Letter of Transmittal

WASHINGTON, D. C.

13 January 1949.

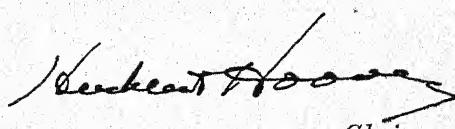
DEAR SIRS: In accordance with Public Law 162, approved July 7, 1947, the Commission on Organization of the Executive Branch of the Government has undertaken an examination into the operation and organization of the executive functions and activities. In this examination it has had the assistance of various task forces which have made studies of particular segments of the Government. Here-with, it submits to the Congress a study prepared for the Commission's consideration of the Role of Records Management in the Federal Government.

The study of each task force naturally is made from its own particular angle. The Commission, in working out a pattern for the Executive Branch as a whole, has not accepted all of the recommendations of the task forces. Furthermore, the Commission, in its own reports, has not discussed all the recommendations of an administrative nature although they may be of importance to the officials concerned.

The Commission's own report on records management is submitted to the Congress separately as part of the volume of its report titled "Executive Services."

The Commission wishes to express its appreciation to the National Records Management Council, its executive director, Emmett J. Leahy who wrote the report as a whole, and to Robert H. Bahmer, Herbert E. Angel, Edward B. Wilber, and Frank M. Root, for the preparation of this task force study.

Faithfully,



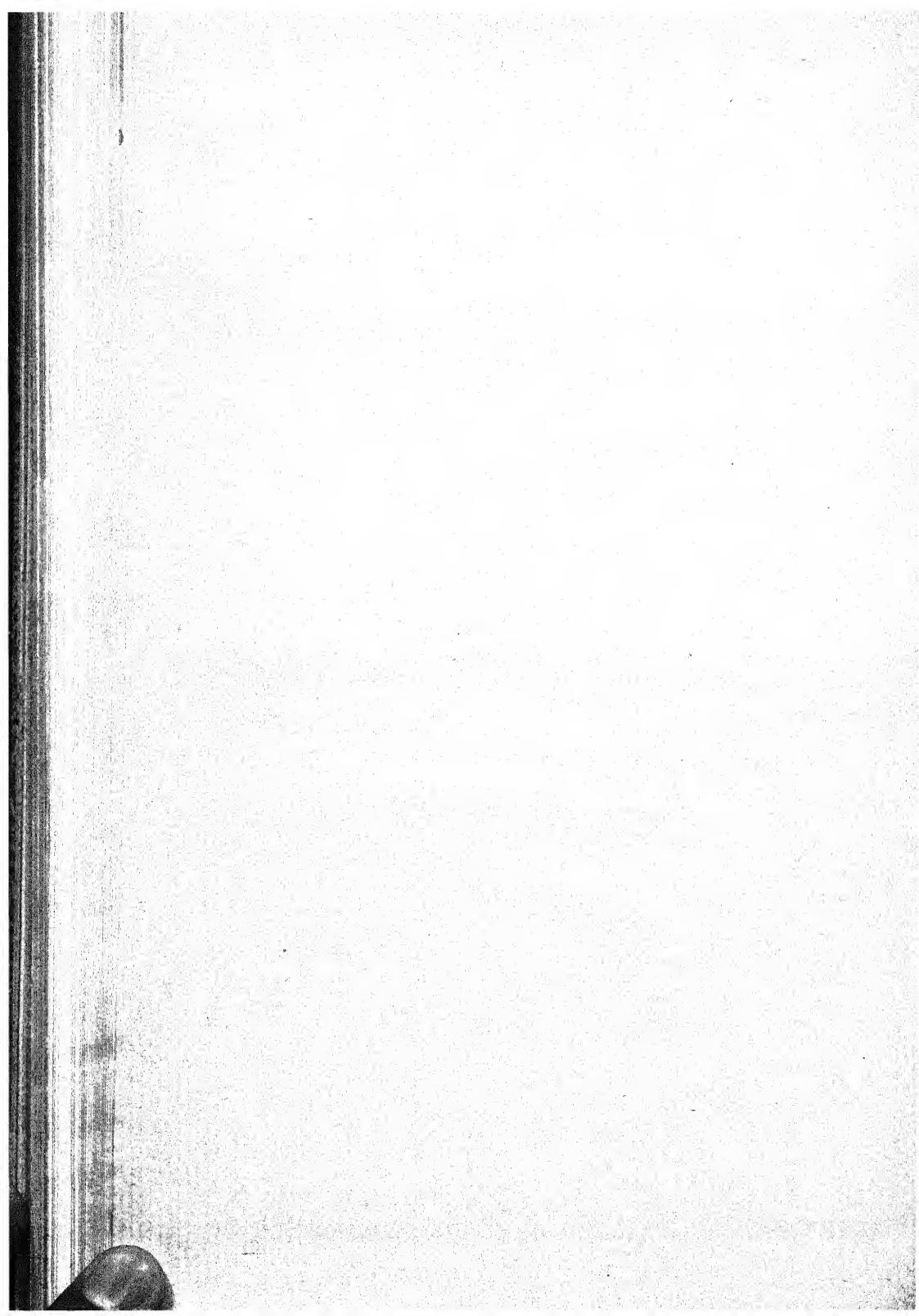
Chairman

*The Honorable*

*The President of The Senate*

*The Honorable*

*The Speaker of The House of Representatives*

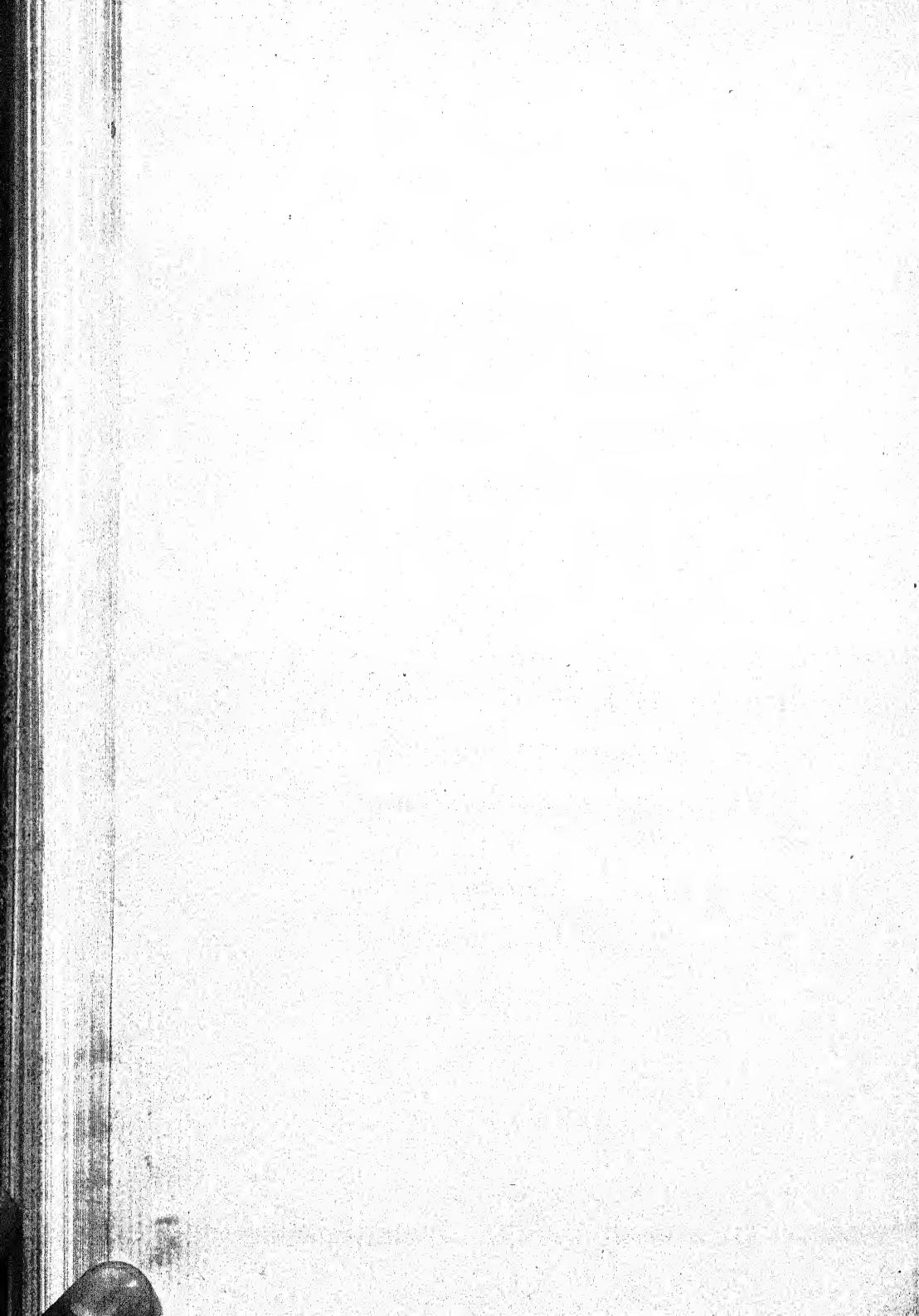


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# **RECORDS MANAGEMENT**

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## **I. INTRODUCTION**

### **Objectives**

Record making and record keeping in the Federal Government represent:

1. Indispensable tools in the conduct of the Government's operations.
2. The greatest consumers of salaries, space, and equipment of all the house-keeping activities of the Federal Government.
3. The sum of the recorded obligations of the Federal Government, at home and abroad.
4. An invaluable store of hard earned experience recorded in our national effort to sustain a system of democracy and private enterprise.

The objectives of this report with recommendations are balanced accordingly:

1. To sharpen the efficiency of these management tools.
2. To eliminate excessive costs in salaries, space, and equipment.
3. To safeguard the essential record of our obligations.
4. To capitalize on our invaluable store of recorded experience.

### **Operation of This Task Force**

This is the first time that the Federal Government has undertaken a balanced appraisal of its massive record-making and record-keeping operations. The Commission on Organization of the Executive Branch of the Government and the National Records Management Council have taken care to insure that its advisors on this project, whether from Government or industry, fully represented tested experience in each of the four components of such a balanced appraisal.

The consultants to the Commission and to the Council reached full agreement on the general and detailed recommendations included in Parts II and III of this report. The report as a whole was written by Emmett J. Leahy.

The consultants to the Commission and the Council, Robert H. Bahmer, Herbert E. Angel, Edward B. Wilber, and Frank M. Root, were unstinting with their time and experienced counsel. They join with Emmett J. Leahy in acknowledging the full support and splendid cooperation extended to this task force by Messrs. Sidney A. Mitchell, Pearson Winslow, Herber J. Miller, Robert L. L. McCormick, and Henry Luce III of the Commission's staff.

Staff assistants to Mr. Leahy, John F. X. Britt, Joan Hawkinson, and Helen Miller, were most helpful.

The cooperation and assistance of many Government officials made this report possible. Outstanding in this respect were Wayne C. Grover, Archivist of the United States; Herbert E. Angel, Director of Office Methods, Department of the Navy, and his staff members, Everett O. Alldredge, Paul Bishop, Diana Erseg, and Betty Barnett; William O. Hall, Director of Budget and Planning, Department of State; Leonard W. O'Hearn, Director of Administrative Planning, Federal Security Agency; Thurman T. Beach, Chief, Records Management Branch, Atomic Energy Commission; and W. E. Reynolds, Commissioner, H. G. Hunter, Assistant Commissioner, and John L. Nagle, Deputy Commissioner, Public Buildings Administration.

Gwlyn A. Price, President, Westinghouse Electric Corp., and Henry W. Lynch, General Assistant Comptroller, E. I. duPont de Nemours & Co., Inc., gave the task force full cooperation.

### Scope of the Problem

This study gives ample proof of the fact that record making and record keeping are the greatest consumers of salaries, space, and equipment of all the housekeeping or service activities of the Federal Government.

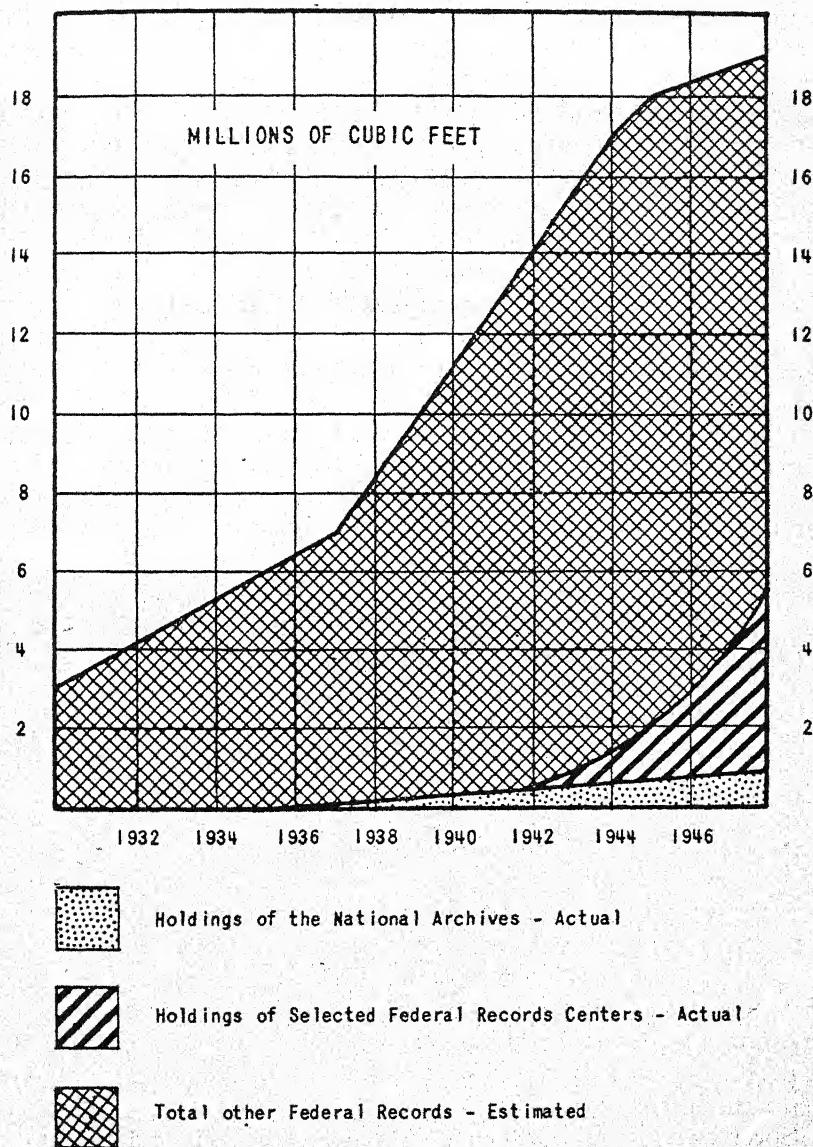
*Salaries.*—In 1940, an estimate was made of 340,000 employees, with annual salaries of \$680,000,000, engaged in handling records then accumulated or being created at that time. A much greater figure would apply were employees engaged primarily in record making added to these in record keeping. No actual count being available, an estimate of over 1 billion dollars is justifiable. Salaries of no other housekeeping or service function including Government accounting or personnel management remotely approaches this figure.

*Space.*—Approximately 18,500,000 cubic feet of Federal records (see accompanying Chart I, p. 3) occupy more than 18,000,000 square-feet of Federal space. This is equivalent to six Pentagons. Space costs are not less than \$27,000,000 annually. Actual surveys and official estimates carry this volume of records up to 17,000,000 cubic feet;

# CHART I

## Total Cubic Feet of Federal Records (1930-1948)

(The average standard file drawer contains  $1\frac{1}{2}$  cubic feet of records)



18,500,000 cubic feet is a weighted current estimate for the purposes of this study.

*Operation and maintenance.*—Space occupied by records is operated and maintained consistently at a cost close to the actual rental paid. Annual expenditures for this purpose are not less than \$20,000,000.

*Equipment.*—Records in such a quantity are equivalent to 3,080,000 standard four-drawer filing cabinets costing \$154,000,000 at current prices.

Approximately \$1,200,000,000 for record making and record keeping apportioned over the departments and agencies in Washington and in the field have compelled a few departments and agencies to aggressively attack these excessive costs. In the last decade, programs and facilities have been developed with excellent results. Similar programs and facilities have been developed in industry. These significant and highly profitable efforts represent management's first effective attempt to reduce excessive costs in record making and record keeping horizontally or clear across an agency. Previously, management's efforts were only vertical or following restricted patterns. These included the more or less common procedures control, methods studies, organization analysis, job analysis, and work improvement programs. The largest single cost factor represented by record making and record keeping per se, however, was not provided for as such in these attempts.

## Determining Factors In Modern Records Management

Apace with industrial progress, there has been a revolutionary mechanization, specialization, and duplication in record making and record keeping. As a result, modern records accumulate in admittedly fantastic quantities and are maintained only at excessive costs.

Mechanization of the office began with the introduction of the typewriter around 1875. Adding, bookkeeping, calculating, tabulating, and recording machines rapidly followed. Mechanization of offices is expensive but it saves more expensive labor or gives a better result. There is an extensive backlog of improvements and new developments in the laboratories of the office machine industry. Further mechanization is assured. Widespread use of this equipment by spectacularly expanding public agencies and private enterprise in the United States is producing records in quantities wholly unapproached in the past and unparalleled abroad.

Specialization in record making and record keeping has resulted from the mighty American drive to get things done faster, cheaper or better. Several records wholly comprising a single operation such as bookkeeping in the last century has been divided and subdivided into

anywhere from a score to hundreds of component records. Countless specialized, single purpose records are the result.

Duplication in record making and record keeping also gets things done faster, cheaper or better. Labor and expense limited the clerk in the past to one or a few handwritten or press copies of a record. Carbon paper was introduced just prior to 1900. The mimeograph, photo lithography and chemical processes followed and acknowledge little or no limitation on copy making.

Record making and record keeping up to the beginning of this century were controlled by simple physical factors. Writing and copying by hand or letterpress was slow, laborious and costly; record making therefore was limited. Records to be filed were also limited. The mechanization, specialization, and duplication in modern record making have no comparable controls. Proof follows of the urgent need for new controls applicable by modern management.

This problem is further aggravated by (a) the increasing size and (b) the increasing complexity of an enterprise whether it be a Federal or county government, a small or large manufacturing company. The following data compiled under the auspices of Harvard's Graduate School of Business Administration illustrates this point:

#### VARIATIONS IN THE APPROXIMATE PERCENTAGE OF NECESSARY RECORD-KEEPING EMPLOYEES TO TOTAL EMPLOYMENT

[*Classified by size of company and complexity of production process*]

Size	Simple processes	Moderately complicated processes	Complicated processes
	Percent	Percent	Percent
50 employees or less-----	3	4½	6½
51-100 employees-----	4	5½	7½
101-200 employees-----	4½	6½	8½
201-300 employees-----	5½	7½	10

A much higher percentage of record keeping employees in larger and more complex enterprises is in a sense one of the curses of bigness. The Federal Government is, of course, one of the very largest and most complex operations.

The conclusions and resulting recommendations in this report comprise a program which is restricted solely to elements which have been tested, approved, and applied by agencies of the Federal Government, some State governments, many of the larger corporations, and some foreign governments. Bringing these elements together by means of detailed recommendations, providing them with the required support

and accountability, and widening their applications are the principal contributions of this study.

The recommendation that a Federal Records Administration be established provides the only practical and operationally sound organization to (1) consolidate and reduce the records centers now in existence at the same time broadening their services to assist all departments and agencies; (2) coordinate the management of the great quantities of records in Federal records centers with the objectives and requirements of the National Archives; (3) develop and sponsor a Government-wide program for improvements and economies in records management as the agency best equipped and most concerned in the development of such a program.

## **II. GENERAL RECOMMENDATIONS**

- A. That a Federal Records Administration be established, and that the existing National Archives establishment become an integral part thereof.
- B. That a law to be cited as the "Federal Records Management Act of 1949" be enacted to provide for the creation, preservation, management, and disposal of records of the United States Government.
- C. That a minimum program for records management be required in each department and agency of the United States Government.

### III. DETAILED RECOMMENDATIONS

#### Central Agency

*A. That a Federal Records Administration be established and that the existing National Archives Establishment become an integral part thereof.*

1. That the Federal Records Administration establish and operate Federal records centers in Washington and in the field for the storage, servicing, security, and screening of all Federal records which must be preserved for a time but need not be retained in office equipment and space. It is recommended that this be accomplished by:

a. Transferring records centers selected from among the more than 100 now operated by individual departments and agencies to the Federal Records Administration by negotiations with the departments and agencies concerned.

b. Operating records centers so transferred and centers otherwise provided to service all departments and agencies.

c. Effecting a consolidation and a reduction of existing and rapidly increasing duplication in records center facilities.

d. Adapting as records centers, selected surplus war plants or some of the 100 war plants which have been placed in the industrial reserve and are now under the jurisdiction of the Public Buildings Administration.

e. The construction or procurement of such other records centers as may be authorized from time to time by the Congress.

f. Selecting all centers by location and size to insure (1) continued decentralization of Federal records in the interest of efficient servicing and use of records; and (2) dispersal of vital records in the interest of national security.

2. That the Federal Records Administration evolve and promote Government-wide improvements and economies in records management through:

a. Standards and controls for record making and record keeping, selective records preservation, scheduled records disposal, and transfer of records to records centers.

b. Discriminating application of tested methods, practices, materials, equipment, and machines to record making and record keeping.

c. Authorization by law to inspect Federal records and to require reports as to their management.

d. Training programs directed at improving the effectiveness and the technical knowledge of personnel assigned to record making and record keeping.

e. Standards and controls for physical, legal, and security safeguards of all Federal records.

3. That the Federal Records Administration make special provisions for preserving, studying, and servicing Federal records having permanent value and historical interest by:

a. Continuing the National Archives as an integral and vital part of the Administration.

b. Continuing to maintain for this purpose an adequate professional staff of trained archivists.

c. Placing such records and the professional staff under the general direction of an outstanding archivist selected in accordance with Civil Service Regulations on the basis of his professional attainments in a highly specialized field.

## Legislative Action

B. *That a law to be cited as the "Federal Records Management Act of 1949" be enacted to provide for the creation, preservation, management, and disposal of records of the United States Government.*

1. That when used in this act the word "records" includes any paper, book, photograph, motion-picture film, microfilm, sound recording, map, drawing, or other document, or any copy thereof that has been made by any agency of the United States Government or received by it in connection with the transaction of public business and has been retained by that agency or its successor as evidence of its activities or because of the information contained therein.

2. That the head of each agency shall make, cause to be made, or file only such records as in his opinion are necessary to provide for the continued effective operation of the agency of which he is the head, to constitute an adequate and proper recording of its activities, and to protect the legal rights of the Government of the United States and of the people.

3. That proposed legislation provide not only that (a) Federal records are the property of the United States Government; (b) such records be delivered by outgoing officials and employees to their successors (U. S. C. Title 18, secs. 234 and 235); and (c) such records must not be otherwise unlawfully destroyed or removed; but also fix responsibility on a Federal Records Administration for (d) establishing safeguards against removal or loss of Federal records and (e) initiating the recovery of Federal records which have been unlawfully removed.

4. That the act provide for the establishment of a Federal Records Administration in accordance with Recommendation A of this report

under the direction of a Federal Records Administrator appointed by the President with the advice and consent of the Senate.

5. That there also be established a Federal Records Administration Council superseding the existing National Archives Council (48 Stat. 1122 and 60 Stat. 812) and comprising the same membership as The National Archives Council with the addition of the Administrator of Federal Records. The Council should be responsible for:

- a. Formulating regulations governing record making, record keeping, and records disposal.
- b. The classes of records to be transferred to the Federal Records Administration.
- c. The use of records so transferred by public officials, scholars, and the people.
- d. The loan or transfer of records from one agency to another.
- e. Standards governing the reproduction of records by photographic (or microphotographic) processes for the purpose of disposing of the original records.

Such regulations when approved by the President and promulgated by the Federal Records Administration shall be binding on all agencies of the United States Government.

6. That the head of each agency of the executive, legislative, and judicial branches of the Federal Government designate or appoint within 6 months after the passage of the proposed act, a records management officer for the agency, and that the Federal Records Administration be notified of such designations. Records management officers should plan, develop, and put into operation a comprehensive records management program in the agency and serve in a liaison capacity with the Federal Records Administration.

7. That no records of the Federal Government shall be destroyed or otherwise disposed of without the approval of (a) the Federal Records Administration and (b) the Congress of the United States, as provided by law and regulations of the Federal Records Administration Council.

8. That the Congress consider revising present legislation governing the disposal of Federal records (44 U. S. C. 366-380) to provide for an automatic records disposal authorization 45 days after a request for authorization has been submitted by an agency to the Federal Records Administration, provided that the Congress is in session during the last 15 days of the period and provided further that neither the Federal Records Administrator nor the Congress direct that the proposed disposal or a part thereof is disallowed or that it be delayed pending further study.

9. That recent legislation (H. R. 6293, Report No. 1938, 80 Cong., 2d. sess.) establishing a trust fund for receipts from photographic

services rendered by the National Archives be continued for similar services rendered by the Federal Records Administration.

10. That the National Archives Trust Fund Board (U. S. C. 300aa-300jj), the National Historical Publications Commission (48 Stat. 1122-1124), and the Franklin D. Roosevelt Library (53 Stat. 1062) be continued as a part of the National Archives within the Federal Records Administration, and that the Federal Register (44 U. S. C. 301-314) be continued as a separate unit of the Federal Records Administration.

11. That the draft of a Federal Records Management Act included in Appendix A be considered as a basis for the recommended legislation. Past legislation which is effected in part by the proposed act is listed in Appendix B.

## Agency Program

*O. That each department and agency of the Federal Government be required by law, or by resolution of the Federal Records Administration Council approved by the President, to appoint or designate a qualified records management officer to plan, develop, and organize a records management program. The minimum content of a records management program should include tested controls on record making, record keeping and selective records preservation.*

1. Controls on record making with a high degree of effectiveness are:

a. Elimination of widespread and unessential duplication of files and filing through files and filing analysis.

b. Discriminating application of modern office machines and equipment to record making.

c. Streamlining and reducing voluminous correspondence through the use of form letters, pattern letters, limitation or elimination of copies, pattern paragraphs, procedural guides, automatic typewriters, and other labor-saving equipment.

Controls on forms and reports are essential and should include:

d. Controls on the development, issue, standardization, and use of forms with a view to simplifying and improving forms in size, design, and function, reducing the number of forms and determining their use, method of filing and ultimate disposal.

e. Controls on requirements for and submission of reports, eliminating obsolete reports, unessential copies, too frequent reporting, and unessential filing of reports, coordinating all reporting to eliminate overlapping and duplication in fact gathering.

**2. Controls on record filing should include:**

- a.* Organization of files in efficient and practical locations considering factors of physical proximity and administrative necessity, successful eliminating widespread maintenance of duplicate files.
- b.* Discriminating installation of labor-saving devices such as modern micro-filming, tabulating equipment, etc., to simplify filing, the accumulation of recorded data and to reduce filing space.
- c.* Efficient and effective work flow patterns for mail rooms and file-room installations, including effective layouts and lighting.
- d.* Standards and criteria for systems and methods of handling, classifying, indexing, and filing, and for filing supplies and equipment.
- e.* Review of requisitions for filing equipment to control purchases, allow for interchange of equipment, and to provide guidance as to the best equipment available.
- f.* A training program in all phases of records management regularly being brought up to date by the addition of new developments in records-management practices, equipment, and supplies.

**3. Controls insuring selective records preservation require:**

- a.* Periodic inventory of all records.
- b.* Development and installation of comprehensive schedules providing for (1) prompt disposal of valueless records, (2) periodic transfer to records centers of records which need not be kept in expensive equipment and office space, (3) periodic transfer of records of permanent historical value to the Federal Records Administration for deposit in the National Archives, (4) controls to effect record turn-over in conformance with schedules.
- c.* Applications of microfilming to conserve space and equipment and to provide security microfilm copies of vital documents, the loss of which would seriously handicap the Government.

## **IV. SUPPORTING STATEMENTS FOR ALL RECOMMENDATIONS**

### **For Centralization**

*A. That a Federal Records Administration be established and that the existing National Archives Establishment become an integral part thereof.*

Less than 5 percent of Federal records are deposited in the National Archives. This institution accessions all Federal records of permanent value and historical interest. Holdings, nevertheless, are close to the total capacity of the existing building.

The bulk of Federal records, more than 95 percent or approximately 17,500,000 cubic feet, represents a large-scale management problem. The extent of the problem is measurable by the great costs tied up in space, equipment, and personnel as reported in Part I of this report.

The experience, particularly during the last decade, of a few departments and agencies of the Government and of large companies in industry prove conclusively that prevailing large-scale problems in records management lend themselves with surprising ease to equally large-scale solutions.

This study confirms for the first time that more than 50 percent of the total records of the average organization can be eliminated from office and plant equipment and space. Such a spectacular return was not fully anticipated. The critically accurate appraisals and measurements conducted during this study, carefully checked against the results obtained by representative companies in industry, now make it possible for the first time to guarantee such results given a basic minimum of low-cost conditions.

These appraisals and measurements were applied to accomplishments and not potentials in successful records management programs in government and industry. The results appear under the appropriate sections of this report.

Elimination of over 50 percent of all records from office and plant equipment and space is easily attainable in a relatively short period of time by:

1. Destruction of up to 35 percent of valueless or duplicated records with a continuing annual turn-over by destruction of 10 percent or more of the remaining records.

**2. Controls on record filing should include:**

- a. Organization of files in efficient and practical locations considering factors of physical proximity and administrative necessity, successful eliminating widespread maintenance of duplicate files.*
- b. Discriminating installation of labor-saving devices such as modern microfilming, tabulating equipment, etc., to simplify filing, the accumulation of recorded data and to reduce filing space.*
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## CHART II

# *Yearly Savings* on CONTENTS of ONE FILE CABINET

I File Cabinet e \$50.00  
 (Amortized 19 years) = \$ 5.00  
 6 sq. ft. of space e \$2.50 = \$15.00  
 Overhead and maintenance  
 for 6 sq. ft. e \$1.50  
 per sq. ft. = \$ 9.00

**Total Cost \$29.00  
IN OFFICE SPACE**

1/10 steel stack section  
 e \$32.00 = \$3.20  
 (Amortized 10 years) = \$0.32  
 6 cardboard cartons  
 e \$0.15 = \$0.90  
 (Amortized 10 years) = \$0.09.  
 1/10 of 17.5 sq. ft of space  
 e \$0.50 per sq. ft. = \$0.87  
 Overhead and maintenance for  
 1/10 of 17.5 sq. ft. e \$0.50 = \$0.87

**Total Cost \$2.15  
IN RECORDS CENTER**

17.5 sq. ft. of SPACE  
 holds the contents of  
 10 FILE CABINETS

*Saved-\$27.00  
YEARLY*  
 EVERY time the contents of a  
 FILE CABINET are  
 TRANSFERRED to a Records  
 Center!

ferrered over 140,000 cubic feet of records. This represents the contents of more than 20,000 four-drawer filing cabinets with a replacement value of \$1,400,000.

Despite the savings to be realized and the need for release of space in crowded offices and installations, the majority of departments and agencies do not now have access to records centers. It has been carefully estimated by this task force of the Commission that in such departments and agencies there are now 2 million cubic feet of records available for transfer to records centers were centers available. These records occupy 2 million square feet of space, which is close to the capacity of the Pentagon, and represent the equivalent of more than 330,000 four-drawer filing cabinets with a replacement value of approximately \$17,000,000.

Transfer of records at the earliest practical date to responsible custody in a records center not only drastically slashes equipment, space, and maintenance costs, but it insures an audit or a check on unessential records preservation. In addition to sharply reduced costs, the resulting minimum cost, which is not a new cost, is in turn isolated, measurable, and controllable. Valueless records can be screened out. Records which have served their time turn over promptly. Chart III, page 18, illustrates the importance of records screening.

Stress must be laid on the fact that records centers to be profitable cannot be dumping grounds for dead records forgotten and inaccessible. It is true that only minimum building and equipment requirements are justified. But the management of such facilities must clamp controls on records retention, provide continuous screening of valueless records, and give prompt, efficient service.

It is significant that Navy records centers directed by experienced civilian records administrators have achieved a 25.5-percent records turn-over. One Army records center also directed by an experienced records administrator has achieved a 37-percent records turn-over.

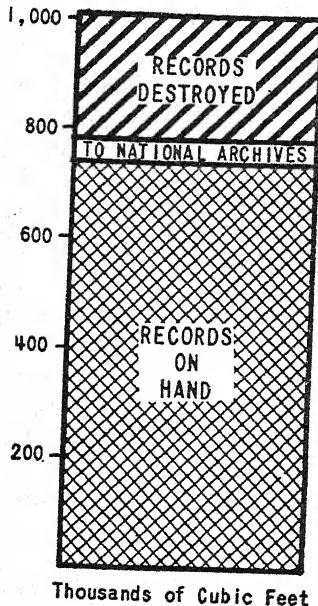
a. Transferring records centers selected from among the more than 100 now operated by individual departments and agencies to the Federal Records Administration by negotiations with the departments and agencies concerned.

b. Operating records centers so transferred and centers otherwise provided to service all departments and agencies.

For the purpose of this study, 99 records centers, all of which have been created in the last 6 years to meet an obvious need were selected for study. It is apparent that a comparatively small number of agencies operate such centers and for their own purposes only. The large

### CHART III

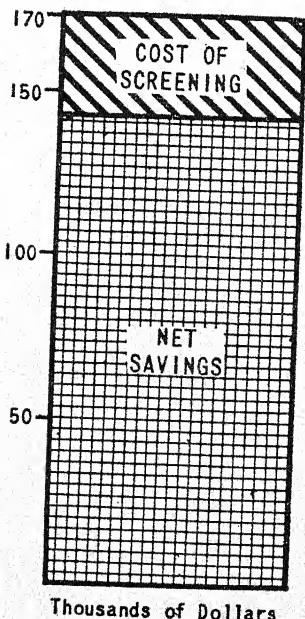
#### Results of Records Screening in Five Naval Records Management Centers



Thousands of Cubic Feet

- 25.5% turnover of records by destruction and transfer to the National Archives
- 33% more records can be received and processed because of screening

- Gross and net savings through release of Records Center space by screening
- Recovery of records lost or misfiled is an important by-product of screening
- More efficient servicing of records is another by-product of screening



Thousands of Dollars

June 16, 1948

number of these facilities multiply overhead and maintenance costs.

Selected centers from among those now in operation should be transferred to the Federal Records Administration and their facilities made available to all departments and agencies. Twice before the question has been raised, "Will an agency readily transfer records to a center operated by some other agency?" This question was first raised in the mid-thirties after the establishment of the National Archives. In a few short years, by 1940, record transfers to the National Archives were filling available space with totally unanticipated rapidity. In the early 1940's a few departments established records centers to serve all bureaus and divisions of the departments. Again it was thought that nearly autonomous bureaus would not relinquish their records. Since 1943, over 1½ million cubic feet of records have been transferred to Army centers and over 1 million feet have been transferred to Navy centers.

Two factors press for transfer of records. Expanding governmental operations because of the New Deal, the last war, or for whatever reason, create such a scarcity of space that any relief, and particularly record transfers, are resorted to extensively. Conversely, reduced appropriations during periods of retrenchment yield similar results for different reasons. Although in periods of retrenchment, office space is much less critical, management withholds funds for the maintenance of large quantities of records which need not be retained in expensive equipment in offices with a high overhead, thus forcing record transfers.

c. Effecting a consolidation and a reduction of existing and rapidly increasing duplication in records center facilities.

Overhead costs are multiplied in the maintenance of a large number of relatively small centers. For security, as well as for more efficient service, over centralization in the storage of records is not advisable. But the expense of maintaining three or four medium-size centers in a single locality, such as is now the case with the Maritime Commission, the Army, and the Navy in the vicinity of New York City, is waste. Until recently General Accounting Office records were maintained in 16 different buildings in Washington with an annual maintenance and operation expense of \$132,400 in addition to a \$76,500 rental for non-Government-owned buildings, or a total of \$208,000. Consolidating these records in Government-owned space in Cameron, Va., cut annual costs to \$90,000 for a yearly savings of \$118,000. Furthermore, the records scattered through many buildings occupied 305,000 square feet whereas when consolidated they occupied only 267,000 square feet of space.

Further argument for consolidating and at the same time reducing the number of existing centers is the present necessity of large-scale

record shipments. For example, even though there is a large Navy records center at San Bruno, Calif., Veterans' Administration records on the West Coast must be shipped to Philadelphia; Maritime Commission records to Hoboken, and Army records to St. Louis. To move G. A. O. records the short distance to Cameron, Va., while justified, cost nearly a quarter of a million dollars. Thousands of tons of records crisscrossing the country is expensive and unnecessary.

d. Adapting as records centers, selected surplus war plants or some of the 100 war plants which have been placed in the industrial reserve and are now under the jurisdiction of the Public Buildings Administration.

e. The construction or procurement of such other records centers as may be authorized from time to time by the Congress.

f. Selecting all centers by location and size to insure (1) continued decentralization of Federal records in the interest of efficient servicing and use of records and (2) dispersal of vital records in the interest of national security.

Selected surplus war plants or some of the 100 war plants which have been placed in the industrial reserve are in many cases idle and readily adaptable to records centers. The War Assets Administration has used more than one-half dozen of these plants for temporary storage and screening of the Administration's large quantity of field records. Whatever the likelihood of any future urgency for the immediate availability of such plants, the bulk of the War Assets Administration's records retirement program seems to be well over the hump through the temporary use of these facilities.

It is expected that there will be good reason for the construction or procurement of one or more buildings for records center purposes. For the most part, it is expected that new construction for records centers as well as most other public purposes will be included in longer range Public Works programs. An exception might well be a records center in the vicinity of Washington but not in the city proper to ease the space shortage in the Capital.

Greater decentralization of Federal records is effected by the Federal Records Administration's operation of general purpose centers serving all departments and agencies. A Federal Records Administration center on the west coast for example would retain Veterans' Administration records on the west coast. The same will be true of Federal Records Administration centers elsewhere around the country. For the most part, agency records are now being centralized in one or a few centers far removed from the offices which must use the records. Such decentralization is an important component of dispersal of Federal records in the interest of national security.

#### FOR CENTRAL SUPERVISION

2. That the Federal Records Administration evolve and promote Government-wide improvements and economies in records management.

A single central source to sponsor improvements and economies in records management is one of the three essentials of all existing, successful programs. Fixing this responsibility in the Federal Records Administration gives direction, support, and a medium of accountability. This direction, support, and accountability are not now provided.

The Budget Bureau and the National Archives have made some attempts in program sponsorship. Beginning in 1942 with a supplemental appropriation specifically for the development of a Government-wide program in records management, an effort was made by the National Archives. This effort in time became sharply limited to the few phases of records management that most directly effect the isolation and eventual transfer of the small percentage of records which have permanent value and historical interest.

Shortly after the National Archives' effort, the Budget Bureau assigned a staff member full time to records management. The principal result not to be minimized was a policy decision in the Bureau that every agency should have fixed responsibility for an agency-wide records program. Executive Order 9784 of September 25, 1946, added Presidential approval of this bureau policy.

The Federal Records Administration through primary interest and technical experience is a more fitting central agency to undertake this staff function of developing a program, providing experienced counsel and expert assistance, and sponsoring training programs. These staff services are a vital supplement and a support to the facilities and line service provided in the Federal-records centers.

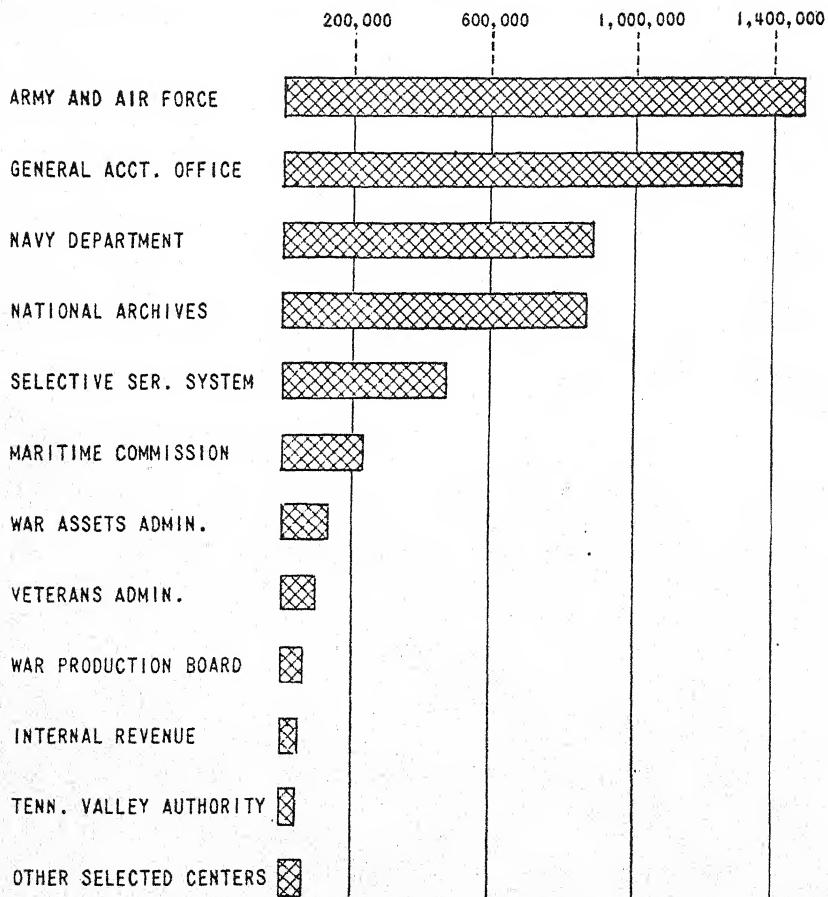
At negligible cost a small staff, initially not more than a half a dozen, can promote, assist, and fill in the programs at the department and agency level. In the unanimous opinion of this task force of the Commission, the return from this small staff function will annually exceed the large scale savings to be gained through the establishment of records centers. The character and extent of these improvements and economies are illustrated in Part IV, Section C, of this report.

This staff function in the Federal Records Administration must be carried through in close collaboration with other staff and service functions of the Government, including particularly the Bureau of the Budget. Major programs and Government-wide regulations must be cleared through the Federal Records Administration Council and receive Presidential approval. This guarantees clearance and coordination with the Executive Office of the President, and with the major departments through their representatives on the Council.

The content of this staff function should include:

- a. Standards and controls for record making and record keeping, selective records preservation, scheduled records disposal, and transfer of records to records centers.

**CHART IV**  
**Cubic Feet of Records in Selected Records Centers**  
*(The average standard file drawer contains 1½ cubic feet of records)*



*b.* Discriminating application of tested methods, practices, materials, equipment, and machines to record making and record keeping.

*c.* Authorization by law to inspect Federal records and to require reports as to their management.

*d.* Training programs directed at improving the effectiveness and the technical knowledge of personnel assigned to record making and record keeping.

*e.* Standards and controls for physical, legal, and security safeguards of all Federal records.

#### FOR PRESERVING PERMANENT RECORDS

3. That the Federal Records Administration make special provisions for preserving, studying, and servicing Federal records having permanent value and historical interest by:

*a.* Continuing the National Archives as an integral and vital part of the administration.

*b.* Continuing to maintain for this purpose an adequate professional staff of trained archivists.

*c.* Placing such records and the professional staff under the general direction of an outstanding archivist selected in accordance with the Civil Service Regulations on the basis of his professional attainments in a highly specialized field.

The National Archives performs an essential and an important function in receiving, organizing, preserving, and making available to the Government, to scholars, and to the people the core of permanently valuable records of the Government. This is an indispensable service of all mature governments. It should, therefore, continue to be sustained by the Government of the United States.

Serious consideration was given to adding the functions recommended in 1 and 2 above, namely the operation of Federal records centers and the development and promotion of Government-wide improvements and economies in records management to the existing National Archives. The three reasons favoring such a recommendation are:

*a.* The National Archives is a going concern.

*b.* It is the only agency primarily in the records field although in a specialized and limited segment of that field.

*c.* It has won recognition and standing in the 14 years of its existence.

To do so, however, would change the character and scope of the National Archives so radically as to create, in fact, a new kind of agency. The potential change in size is shown in Chart IV, page 22. Not to change the name and concept as well would dodge the issue and contribute to a confusion of objectives and programs.

The following comparison between the National Archives and selected departmental centers, as of June 18, 1948, is significant:

	Number of centers	Number of employees	Volume of records, cubic feet	Square feet of space
Departmental record centers-----	99	6, 259	4, 787, 491	6, 171, 958
National Archives-----	2	350	860, 000	845, 647
Percentage National Archives to other centers-----	2. 0%	5. 6%	17. 9%	13. 7%

For compelling reasons it is recommended that a Federal Records Administration replace the National Archives as an independent agency and that the latter be continued as an integral part of the new agency. These reasons are:

- a. The essential specialized function of The National Archives is limited to only 5 percent of Federal records.
- b. The archival function requires a comparatively small professional staff and optimum storage facilities.
- c. The 95 percent of Federal records outside The National Archives present primarily a management rather than an archival problem.
- d. Operation of Federal records centers require competent management assisted for the most part by clerical and administrative employees rather than professional, archival assistance.
- e. Records centers to be effective require mass handling of a great volume of records with minimum conditions for storage, space, equipment, containers, and types of service. Techniques are administrative rather than archival.
- f. The development and promotion of a program for Government-wide improvements and economies in records management require modern management techniques rather than archival science.

Since the preponderance of the proposed program is a management function, and since the National Archives is now performing an essential, specialized function, blowing up the latter to include the former would gain nothing and very probably detract from the effectiveness of the two separate functions. Transferring the ablest of the personnel operating existing departmental records centers with or without their center facilities, would be a better source of talent for Federal records center operation and for the most part at no new cost to the Government.

Transfer of experienced personnel from the most effective records management staffs in the departments and in industry would also be a better source for the small staff responsible for developing and promoting a program for Government-wide improvement and economies in records management.

It is fair to conclude that the National Archives has been under pressure from departments and agencies seeking assistance in attempts to bring massive and burdensome accumulations of records under con-

This report makes more effective provisions for the assistance required by the departments and agencies. At the same time and as a result of such provisions, the staff of the National Archives can concentrate on the objectives for which it was created. Foremost among these objectives is to preserve, explore, and make available the invaluable store of hard-earned experience recorded in the permanent records of our national effort to sustain a system of democracy and private enterprise.

The foregoing recommendations in this Part (IV A-1-3) of the report are essentially similar to that made in 1947 by the Advisory Committee on New York State Records System and in 1948 by a Planning Staff on the Los Angeles City Government Records System.\* Other States are contemplating similar programs.

## For Legislation

*B. That a law to be cited as the "Federal Records Management Act of 1949" be enacted to provide for the creation, preservation, management, and disposal of records of the United States Government.*

Existing legislation covering Federal records consists primarily of the act establishing a National Archives, an act covering the disposal of records and sections of the Criminal Code prescribing penalties for unauthorized removal, destruction, or falsifying of Federal records. More comprehensive and constructive legislation is required.

In addition to establishing the Federal Records Administration in accordance with Recommendation A, legislative action is required to change the status of the National Archives, the National Archives Council, and the Federal Register; to clarify the definition of Federal records; to prevent the removal of official records by outgoing officials and provide for the recovery of such records which are removed; and to simplify the disposal of valueless records.

### BASIC STEPS

1. That when used in this act the word "records" include any paper, book, photograph, motion-picture film, microfilm, sound recording map, or other document (of any physical form or character whatever), or any copy thereof that has been made by any agency of the United States Government or received by it in connection with the transaction of public business and has been retained by that

\*It is noteworthy that the New York Advisory Committee consisted of the Archivist of the United States at that time, the Librarian of Congress, and the Archivist of Illinois. Each of the three members of this committee also have served either as President or Vice President of the Society of American Archivists.

agency or its successor as evidence of its activities or because of the information contained therein.

2. That the head of each agency shall make or cause to be made only such records as in his opinion are necessary to provide for the continued effective operation of the agency of which he is the head, to constitute an adequate and proper recording of its activities and to protect the legal rights of the Government of the United States and of the people.

3. That proposed legislation provide not only that (a) Federal records are the property of the United States Government; (b) such records be delivered by outgoing officials and employees to their successors (U. S. C. Title 18, secs. 234 and 235); and (c) such records must not be otherwise unlawfully destroyed or removed; but also fix responsibility on a Federal Records Administration for (d) establishing safeguards against removal or loss of Federal records and (e) initiating the recovering of Federal records which have been unlawfully removed.

It has been necessary since the establishment of the National Archives to define and redefine what is meant by Federal records. Any definition to be helpful to Federal officials should be both inclusive and exclusive. Consideration should be given for purposes of clarification to adding to the definition in B-1 above the following:

There are excluded from this definition library material acquired by an agency solely for the information and use of the staff and the public and not created or received by it incidentally to the transaction of public business; museum material acquired and preserved solely for exhibition; documents submitted for copyright; models submitted in connection with application of patents; extra copies of documents preserved solely for convenience of reference; and stocks, publications and processed documents. Upon the request of any agency, the Administrator of Federal Records shall have authority to determine whether any particular body of materials falls within or without this definition.

Legislation (U. S. C. Title 18, secs. 234 and 235) and departmental regulations, such as pre-World War II Navy Regulations, have justifiably been interpreted by Federal officials to require filing of all papers produced or received. The impact of the World War II expansion made the continuance of this costly practice impossible. Great quantities of valueless or duplicated papers are received by or produced by Federal agencies. It is important to legalize birth control not only on the production and receipt of such material but also on the unnecessary filing thereof. Early in the war, the Archivist of the United States provided some relief by a new definition of "nonrecord materials." Many agencies, with the Civil Service Commission taking the lead, conducted an intensive review of their filing practices and drastically but safely eliminated a great volume of unessential filing.

While there is legislation against the unlawful destruction, removal, or falsifying of Federal records, there is no provision for safeguards against such destruction, removal, or falsifying, nor any machinery for

initiating action when destruction, removal, or falsifying of records is threatened or for the recovery of records which have been unlawfully removed.

Records removed by officials leaving the public service present a specially critical problem. Many and varied measures to prevent such removal have been adopted by other governments. For the most part, the removal of records is confined to high-ranking officials. As a result, most of the records removed are important or valuable. While it is important that records be defined by law as the property of the Federal Government and there be penalties for unlawful destruction, removal, or falsification of such records, it is equally important that the Congress set up the machinery to forestall such loss, to effect recovery in the event of such loss, and provide that records so removed are recoverable at no cost to the Federal Government. The papers of some Presidents and Cabinet officials have had to be purchased back by the Federal Government.

#### FOR CENTRAL AGENCY

4. That the act provide for the establishment of a Federal Records Administration in accordance with Recommendation A of this report under the direction of a Federal Records Administrator appointed by the President with the advice and consent of the Senate.

The details covered by this recommendation and the justification therefor are given in Section III-A of this report.

#### FOR RECORDS COUNCIL

5. That there also be established a Federal Records Administration Council superseding the existing National Archives Council (48 Stat. 1122 and 60 Stat. 812) and comprising the same membership as the National Archives Council with the addition of the Administrator of Federal Records.

A Federal Records Administration Council is needed to replace the present National Archives Council. The membership can be the same as that of the National Archives Council with the addition of the Administrator of Federal Records.

Authority should be granted the Council to appoint advisors from other agencies of the Federal Government, and from industry and other organizations outside the Federal Government. A vitalized and more aggressive council representing the major departments and with authority to appoint advisors from other agencies of the Government and from private industry should serve as an effective advisory body and, in a sense, a regulatory body for the management of Federal records. In the last analysis, record making and record keeping is an essential function of each agency of the Government. These agencies, therefore, should have a voice in planning the regulations and policies governing record making and record keeping.

It is doubtful if the departments and agencies of the Executive branch would or should acquiesce to the assignment of responsibilities so closely affecting their record making and record keeping direct to the Federal Records Administrator rather than to a council in which they were represented. The council should be responsible for formulating regulations governing:

- a. Record making and record keeping, records protection and records disposal.
- b. The classes of records to be transferred to the Federal Records Administration.
- c. The use of records so transferred by public officials, scholars, and the people.
- d. The loan or transfer of records from one agency to another.
- e. The standards governing the reproduction of records by photographic (or microphotographic) processes when the purpose of such reproduction is to dispose of the original records.

It is recommended that regulations formulated by the Federal Records Administration Council require the approval of the President. With Presidential approval, such regulations when promulgated by the Federal Records Administration Council shall be binding on all agencies of the United States Government.

#### FOR AGENCY OFFICER

6. That the head of each agency of the executive, legislative, and judicial branches of the Federal Government designate or appoint within 6 months after the passage of the proposed act, a records management officer for the agency, and that the Federal Records Administration be notified of such designations. Records management officers should plan, develop, and put into operation a comprehensive records management program in the agency and serve in a liaison capacity with the Federal Records Administration.

The importance of fixing responsibility in each department and agency for a minimum program of records management and the content of such a program are described in Section III-C of this report. Affirming the principle by legislative act strengthens the attempt in this respect made by Executive Order 9784.

Other provisions of the proposed legislation assure an accountability for both conformance and performance by the departments and agencies in following through on this requirement.

#### FOR CONTROL OF DESTRUCTION

7. That no records of the Federal Government shall be destroyed or otherwise disposed of without the approval of (a) the Federal Records Administration and (b) the Congress of the United States, as provided by law and regulations of the Federal Records Administration Council.

Legislation governing the disposal of Federal records are more than adequate at the present time. They can be simplified to advantage. In addition to the National Archives Act, subsequent legislation under

pressure of the vast quantities of Federal records which should and must be disposed of have frozen into statute provisions and procedures which can much better be covered by regulations of the Federal Records Administration Council. Such regulations can be more easily modified to meet changing conditions. Essentially, it is necessary to prescribe by law only that no records of the Federal Government shall be destroyed or otherwise disposed of without the approval of (a) the Federal Records Administration and (b) the Congress of the United States.

With millions of feet of valueless Federal records turn-over by disposal annually, it is imperative that the turn-over be orderly and prompt. Millions of dollars in space and equipment are involved by unnecessary delays or reporting routines. Some question has been raised about the delays incidental to present legislation requiring the approval of all records disposal by both the National Archives and the Congress. The United States Government, like all other governments without exception both in the States and abroad, finds it necessary to place a brake and a control on the disposal of public records.

It is true that there is a costly delay in the turnover of valueless records when the Congress is not in session but Federal officials consulted in connection with this point, feel they need both the assurance and the protection inherent in congressional approval of all records destruction or disposal they undertake.

If the Congress should confine legislation on this score to the provision that no records be destroyed except with the approval of the Federal Records Administration and the Congress, or in accordance with planned programs, approved by the Federal Records Administration and the Congress, there will be adequate safeguards on this score and maximum latitude to the Federal Records Administration in the programs, procedures, and routines effecting such disposal.

#### FOR AUTHORIZATION OF DESTRUCTION

8. That the Congress consider revising present legislation governing the disposal of Federal records (44 U. S. C. 366-380) to provide for an automatic records disposal authorization 45 days after a request for authorization has been submitted by an agency to the Federal Records Administration, provided that the Congress is in session during the last 15 days of the period and provided further that neither the Federal Records Administrator nor the Congress direct that the proposed disposal or a part thereof is disallowed or that it be delayed pending further study.

In 1941, the average time required by a typical agency to obtain disposal authorization for its great quantities of valueless records was 13 months and 28 days. Intervening legislation has speeded up this procedure considerably; nevertheless, a check in the course of this study showed a lapse of 101 days between the date of the average request for disposal authorization and receipt of actual authorization.

The change now proposed will not only cut the lape of time to less than one-half. It will further require formal action by the Federal Records Administration and the Congress only on less than 2 percent of the items listed in requests for records disposal authorization. Consistently over the years, less than 2 percent of the items have been questioned by the National Archives or the Congress. Ninety-eight percent of the items requested for disposal authority will be approved automatically without any formal action.

#### FOR TRUST FUND

9. That recent legislation (H. R. 6293, Report No. 1938, 80th Cong., 2d sess.) establishing a trust fund for receipts from photographic services rendered by the National Archives be continued for similar services rendered by the Federal Records Administration.

This legislation of the Eightieth Congress authorizes a useful service on a self-sustaining basis at no cost to the Government and should be continued.

#### FOR CONTINUED CONSOLIDATION

10. That the National Archives Trust Fund Board (U. S. C. 300aa-300jj), the National Historical Publications Commission (48 Stat. 1122-1124), and the Franklin D. Roosevelt Library (53 Stat. 1062) be continued as a part of the National Archives within the Federal Records Administration, and that the Federal Register (44 U. S. C. 301-314) be continued as a separate unit of the Federal Records Administration.

The National Archives Trust Fund Board, the National Historical Publications Commission, and the Franklin D. Roosevelt Library perform useful functions as they are now constituted and should be continued as a part of the function of the National Archives.

The Federal Register has ably performed a valuable service in the regular publication of Federal regulations that have general applicability and legal effect, and also in publishing the Code of Federal Regulations. The Federal Register should be continued but as a separate part of the Federal Records Administration rather than as a part of the National Archives.

The Congress might well consider the assignment of the publication of the "Statutes at Large" and the "United States Code" to the Federal Register. The "Statutes at Large" are now compiled by the State Department and the "United States Code" is compiled by private companies under contract to the Government. But the Federal Register should be able to undertake these additional duties successfully as indicated by the fact that the "United States Code" is about one-fifth the size of the "Code of Federal Regulations" now compiled by the Federal Register.

## FOR BASIS OF LEGISLATION

11. That the draft of a Federal Records Management Act included in Appendix A be considered as a basis for the recommended legislation. Past legislation which is affected in part by the proposed act is listed in Appendix B.

### For Agency Program

*C. That each department and agency of the Federal Government be required by law, or by resolution of the Federal Records Administration Council approved by the President, to appoint or designate a qualified records management officer to plan, develop, and organize a records management program. The minimum content of a records management program should include tested controls on record making, record keeping and selective records preservation.*

There are extraordinarily effective records management programs in a few agencies of the Federal Government. These programs are directed by capable records management officers. Outstanding are the Department of the Navy, Department of Agriculture, the Atomic Energy Commission, the Federal Security Agency, and the Departments of the Army and Air Force. Other successful programs have been conducted in the Office of Price Administration and the War Assets Administration.

The urgent need for a records management officer in every agency is not now recognized for the first time. In 1942, the Society of American Archivists proposed to the Bureau of the Budget that each agency be required to appoint a records management officer. In the same year, the National Archives endorsed this proposal and issued a statement on the proposed functions of such officers in the Federal Government.

Executive Order 9784, issued September 25, 1946, required that an active continuing program for effective current records management and disposition of records be established in each agency. Only some agencies responded to this Executive order. Many others failed to comply with the order or undertook only a token compliance. The need for implementing this Executive order is uniformly acknowledged.

The experience of the few Federal agencies with highly effective programs and of companies in private industry with similar programs, such as the Westinghouse Electric Corp., the Denver & Rio Grande Western Railroad, and Standard Brands, underscore the in-

dispensability of a fixed central responsibility in an agency or company at a sufficiently high level to insure an aggressive, effective, and co-ordinated program. The staffing of records management offices is readily determinable and controllable on the basis of the size of the agency and the scope of its records problems. In smaller agencies, the assignment of the records management function on a part time basis to some existing staff member is adequate.

In some agencies, it has been assumed that the existence of more or less well-equipped planning offices, methods and procedure units, or management-control staffs will in time at least provide the required economies and improvements in records management within the agency. This assumption is not warranted by the experience in the Government to date, nor is it warranted by experience in industry. Exceptions are sufficiently limited to underscore the fact that this assumption is honored more in the breach than in the observance.

It is recognized that in some agencies responsibility for records management will be assigned to existing planning, methods and procedures, or management staffs. As recommended in this report a specific, practical program is assignable, and for the first time there is a vehicle providing an accounting for and a measuring of performance in the execution of the program.

Sheer cost factors of personnel, space, and equipment assigned to record making and record keeping require (a) a well-defined program and (b) a fixed responsibility for planning, developing, organizing, and following through on a reduction of these costs, and the creation of a more effective agency-wide records system.

#### CONTROLS SUGGESTED

1. Controls on record making with a high degree of effectiveness are:
  - a. Elimination of widespread and unessential duplication of files and filing through files and filing analysis.

As pointed out in the supporting statement to recommendation B-3, there is a widespread belief that every record made or received must be filed. This belief proved untenable during the tremendous increase in work load during World War II. Millions of documents which in the past have been religiously filed and preserved had a new form of birth control clamped upon them. The resulting reduction in work loads and in personnel, filing, and equipment costs were spectacular. In the Civil Service Commission, savings reached as high as 80 percent. In several divisions of the Bureau of Naval Personnel in the Navy, savings reached as high as 30 to 40 percent. Comparable savings in the War Manpower Commission and in the Veterans' Administration were realized.

- b. Discriminating application of modern office machines and equipment to record making.

Available figures of the office machine and equipment industry give factual proof that the Federal Government lags well behind private industry in the utilization of labor-saving devices in clerical operations. Efforts of the Bureau of the Budget in recent years through its business-methods program and office-equipment showings, both acknowledged this fact and attempted to do something about it. These efforts, however, have been relatively short-lived and incommensurate with the size and importance of the problem.

The sharp contrast between the utilization of microfilming equipment in the Federal Government and its use by private industry illustrates this point to a startling degree. More than 90 percent of the microfilming equipment and supplies in the Federal Government is used to reduce and preserve existing old records on 16 and 35 millimeter film and permit the destruction of bulky original records. On the other hand, more than 90 percent of the microfilming equipment and supplies in private industry is used as a record-making device. Copying and recording by microfilm instead of by hand or by other manually operated office machines is primarily a labor-saving device and only secondarily a space-saving device. To illustrate, checks passing through a bank, interline tickets and bills exchanged by transportation companies, and customer billings in retail stores are copied or recorded faster, better, and cheaper through microfilming.

c. Streamlining and reducing voluminous correspondence through the use of form letters, pattern letters, limitation or elimination of copies, pattern paragraphs, procedural guides, automatic typewriters, and other labor-saving equipment.

The massive quantities of Government correspondence is most suitable to streamlining because of the volume and the repetitive character of the subject matter. One department between 1943-45, reports a savings of 800 man-years and over \$1,000,000 in salaries and equipment through such streamlining. During the same period, the production and filing of over 2,000,000 carbon copies were eliminated. This and similar programs in a few other agencies have not only saved money but reduced backlogs, more sharply defined policies and procedures, and simplified training of personnel.

d. Controls on the development, issue, standardization and use of forms with a view to simplifying and improving forms in size, design, and function, reducing the number of forms and determining their use, methods of filing, and ultimate disposal.

The Standard Oil Co. of New Jersey estimates that it has saved one-half a million dollars a year for the last 10 years as a result of a forms control and standardization program installed in the company. Comparable savings are vouched for by other companies, and by some Federal agencies. A full program of this type cannot only simplify

and improve the size, design, and function of forms, but can also drastically reduce the number of forms, control their filing and the time and method of their ultimate disposal. The Farmers Home Administration of the Department of Agriculture has an outstanding program of this type.

e. Controls on requirements for and submission of reports, eliminating obsolete reports, unessential copies, too frequent reporting, and unessential filing of reports, coordinating all reporting to eliminate overlapping and duplication in fact gathering.

Less progress has been made by the Federal agencies in the control of reports and reporting than has been made with forms control. A few agencies have introduced a new accountability in reporting. The Department of the Army, for example, within the last 5 years eliminated 2,000 reports. Through such a program in an organization the size of the Army, a single report may be submitted by thousands of comparable organizational units. It is a commonplace that a report tends to perpetuate itself. The success of the few current reports control programs assure wide-scale benefits from their extension throughout the Government.

#### PROGRAM CONTENT

2. The minimum content of a program at the record-keeping level is:

a. Organization of files in efficient and practical locations considering factors of physical proximity and administrative necessity, successfully eliminating widespread maintenance of duplicate files.

The rapid growth of agencies of the Federal Government has resulted in obsoleting thousands of central filing units and in the widespread duplication and triplication of filing operations for those central filing units which continue to satisfy an essential need. For the most part, however, a majority of the obsoleted central file units survive. Individual offices supposed to be served by such central filing units have long since established more accurate but less "official" files of their own.

It is not the purpose of this report to endorse decentralized or centralized correspondence files. It is the purpose of this report to set up machinery that will eliminate the widespread and costly duplication now existing.

The Public Health Service of the Federal Security Agency recently undertook a reorganization of its record-filing structure for, among other purposes, the elimination of duplication in files and filing. In the course of this study, 75 percent of all files were found to be fully duplicated. The initial follow-through on this study eliminated duplication costing \$18,000 a year. In a second agency, a large-scale correspondence file supposedly served many offices. Investigation revealed that 38 of these offices maintained a more complete file of their own

activities. Elimination of the duplication here resulted in a estimated at \$51,000 per year. These are only two illustrations savings that have been made and the much greater savings records be made in this area.

b. The installation of labor-saving devices such as modern microfilmulating equipment, etc., to simplify filing and the accumulation of records and to reduce filing space.

Developments to date in the office-machine-and-equipment industry and impending postwar advances can slash clerical costs by performing clerical operations better and cheaper. The application of millions of this equipment is increasingly varied and complex. More frequently in government than in industry the types and applications of these machines are beyond the experience of supervisors whose projects obviously require such machines and equipment. Also in government somewhat more than in industry, such machines and equipment are too often grossly misapplied.

The spectacular growth in the number and complexity of office equipment and machines demands specialized training and experience on the part of personnel responsible for appraising the application of such machines and equipment. Personnel so qualified attract substantial salaries in private industry. To attract or hold such personnel in the Federal Government will be impossible without adequate compensation.

c. Efficient and effective work-flow patterns for mail-room and file-room installations, including effective layouts and lighting.

d. Standards and criteria for filing systems including methods of handling, classifying, indexing, and filing records and for filing supplies and equipment.

e. Review of requisitions for filing equipment to control purchases, allow for interchange of equipment, and to provide guidance as to the best equipment available.

Work flow, physical conditions of work, organization and procedures, and equipment control are essentials of records management or records engineering as they are of industrial and management engineering. The Department of Agriculture assumed an early lead and has sustained that lead in this area of the Federal Government. It is estimated that its coverage in the Department in this respect is 80 percent complete. The Department of the Navy dispatched teams of specialists throughout the Department and Shore Establishments during the past year for work simplification and improvement and has effected savings of more than \$1,100,000 by a reduction in personnel, space, materials, and equipment costs.

The Bureau of Federal Supply, Treasury Department, has emphasized the need for control of filing equipment purchase. The Federal Security Agency has developed a filing-equipment control system

which has reduced purchases over 80 percent. Reassignment of equipment has resulted in over 1,000 filing cabinets being provided in 6 months without new purchases. The Department of the Navy has had a long-standing program. In the past year, \$165,663 was saved in equipment and space through cancellation of filing equipment requisitions or satisfying requisitions through reassignment of equipment.

f. A training program in all phases of records management regularly being brought up to date by the addition of new developments in records management practices, equipment, and supplies.

Despite large scale expenditure of Federal funds for training, very little of these funds have been utilized for training in records management. Two outstanding exceptions are the Department of Agriculture and the Atomic Energy Commission. It is noteworthy that each of these agencies in the opinion of the records management consultants to the Commission has one of the most effective records management programs in the Federal Government.

The Atomic Energy Commission's in-service and on-the-job training in records management warrants special commendation. This program is readily expandable to all agencies of the Federal Government. One of the most constructive results of this study would be an extension of the Atomic Energy Commission program throughout the Federal Government under the sponsorship of the Federal Records Administration working through the Federal records management officers in each department and agency.

#### CONTROLS FOR PRESERVATION

##### 3. Controls insuring selective records preservation.

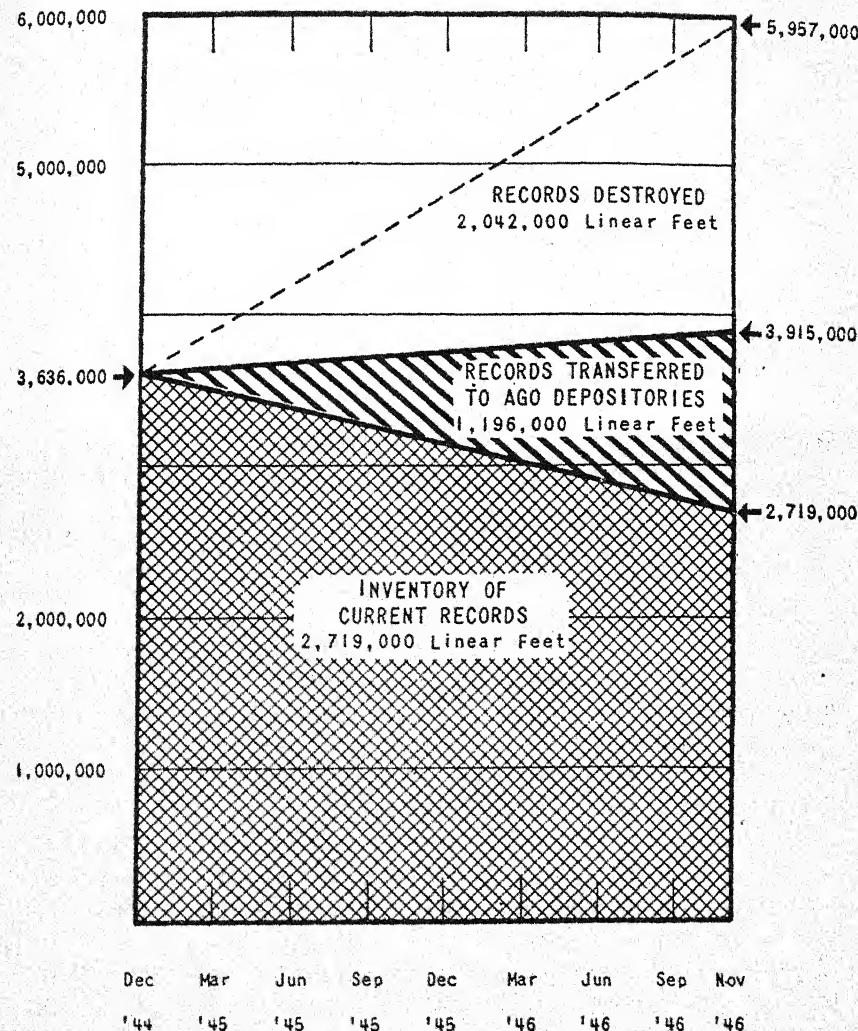
As reported in Part IV-A of this report, over 50 percent of all records in the average organization can be eliminated from office equipment and space by destruction of up to 35 percent of valueless and duplicated records and by transfers to record centers of more than 20 percent with a continuing annual turn-over of approximately 20 percent through both destruction and transfer. Chart V, page 37, geographically illustrates this fact.

Despite the tremendous expansion and scope of Army and Air Force operations in the 2 years reported, the net inventory of records in offices and operating areas actually decreased. Controls insuring selective records preservation, records disposal and records transfer cleared 54 percent of all records out of office equipment and space in a 2-year period. Adding the third year's experience, the total results were 2,534,000 feet of records, or 37.3 percent destroyed; 1,649,000 feet of records, or 24.2 percent transferred to Records centers leaving only 2,619,000 feet or 38.5 percent in current inventory of records in office equipment and space.

**CHART V**  
**Management and Disposal of Army and Air Force Records**  
*(Excluding overseas theaters)*

1945 - 1946

Linear Feet



Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Nov
'44	'45	'45	'45	'45	'46	'46	'46	'46

Elimination from Army and Air Force offices of a total of 4,183,000 feet of records released over 4,000,000 square feet of space for critical war purposes and the equivalent of 666,000 four-drawer filing cabinets with a replacement value of \$33,300,000.

The experience of the Navy and the Westinghouse Electric Corp. are comparable and sustain the findings in the Army experience. Results in many other departments and agencies, however, are by no means comparable.

Such excellent results are obtainable through:

a. Periodic inventory of all records.

b. Development and installation of comprehensive schedules providing for (1) prompt disposal of valueless records, (2) periodic transfer to records centers of records which need not be kept in expensive equipment and office space, (3) periodic transfer of records of permanent historical value to the Federal Records Administration for deposit in the National Archives, (4) controls to effect record turn-over in conformance with schedules.

The millions of dollars tied up in records equipment, space, and maintenance make a records inventory as indispensable a management tool as inventories of stock and raw materials in industrial operations. An inventory of all records is essential to and the first step in a program of selective records preservation.

On the basis of the inventory, records appraisals are made and a planned program schedules records disposal and record transfers. Controls or audits have been successfully devised which insure conformance to schedules.

c. Application of microfilming to conserve space and equipment and to provide security microfilm copies of vital documents, the loss of which would seriously handicap the Government.

Microfilming is an excellent adjunct to a program of selective records preservation. It greatly reduces space and equipment costs for those records which can be readily filmed and which a careful appraisal reveals must be kept for a substantial period of time. Microfilming, however, is an unsatisfactory and costly substitute for a program of selective records preservation.

Microfilming of vital records for security provides protection otherwise unobtainable for all practical purposes. Used widely to this end during the war, microfilming is again being wisely resorted to in view of the threatening situation abroad.

An experienced records management officer can and should apply microfilming to the records in his agency with discrimination and with a resulting economy and insurance.

## V. SUMMARY OF SAVINGS

1. The most tangible result of the recommendations in this report is the prompt removal to economical and more efficient storage of a minimum of 2,000,000 cubic feet of Federal records from Federal offices, with a net and continuing yearly savings of \$6,540,000 plus an additional \$650,000 each year after the first 2 years of this program. This will release in the first 2 years space, equipment, and operational and maintenance expense conservatively appraised at \$7,660,000, or \$3.83 per cubic foot per annum. Space rental estimated at \$1.50 per square foot per annum is low. Equipment is amortized over 10 years. The cost of handling, storing, and screening this quantity of records in Federal records centers should not exceed \$1,120,000. This is based on the Navy's current costs for general records handling, storage, and screening which is 56 cents per cubic foot per annum. Costs of selected records centers in industry are as much as 20 percent lower primarily because of the lower salaries paid clerical and custodial employees in industry.

2. A second tangible result is the outright destruction or other disposal of a minimum of an additional 2,500,000 cubic feet of records within 2 years, with a net and continuing yearly savings of \$9,500,000. After the first 2 years, an additional savings of \$900,000 will be effected cumulatively for each year. The space, equipment, and operational and maintenance expense is discontinued in toto because the records are eliminated. The staff work applying records inventory and appraisal controls to this end would cost less than 1 percent of the savings affected and has been discounted accordingly.

3. A third tangible savings will result from the consolidation and reduction of existing records centers. Such savings, while substantial and important, will probably be absorbed by the cost of providing records center services for the first time to many agencies.

4. A fourth and the largest savings, however, will accrue from the economies and improvements effected by the development and application of controls in record making and record keeping as provided for in Part III, sections A-2 and A-C of this report. Savings already obtained in a few agencies, and therefore obtainable in many agencies where the same conditions apply, are described in Part IV, sections A-2 and C. We estimate that these savings will certainly exceed the \$16,000,000 reported in 1 and 2 above.

5. Equally as important as savings in excess of \$32,000,000 within 2 years with substantial additional and cumulative savings thereafter

is the certain knowledge that (a) record making and record keeping in the Federal Government will rapidly become more efficient management tools; (b) the essential records of the Government's obligations at home and abroad are safeguarded; (c) the invaluable store of experience recorded in the permanent records of our national effort to sustain democratic capitalism is accessible and can better be utilized.

## APPENDIX A

There follows a draft of a proposed bill providing for the creation, preservation, management, and disposal of records of the United States Government. Such a draft is submitted for consideration and to serve in a sense as a check list of items to be included.

### **A Bill**

**SECTION 1.** That this Act may be cited as a "Federal Records Administration Act of 1949."

**SEC. 2.** That when used in this Act—

(a) the word "records" includes any paper, book, photograph, motion-picture film, microfilm, sound recording, drawing, map, or other document of any physical form or character whatever, or any copy thereof, that has been made by any agency or received by it in connection with the transaction of public business and has been retained by that agency or its successor as evidence of the objectives, organization, functions, policies, decisions, procedures, operations, or other activities of the Government or because of the information contained therein. There are excluded from this definition library material acquired by an agency solely for the information and use of its staff and the public and not created or received by it incidentally to the transaction of public business; museum material acquired and preserved solely for exhibition; documents submitted for copyright; models submitted in connection with applications for patents; extra copies of documents preserved solely for convenience of reference; and stocks of publications and processed documents. Upon the request of any agency, the Federal Records Administrator shall have authority to determine whether any particular body of materials falls within this definition.

(b) the word "agency" includes every instrumentality of the Federal Government whether legislative, executive, judicial, or other.

**SEC. 3.** That the head of each agency shall make, cause to be made, or file only such records as in his opinion are necessary to provide for the continued effective operation of the agency of which he is the head, to constitute an adequate and proper recording of its activ-

ties and to protect the legal rights of the Government of the United States and of the people.

SEC. 4. Whoever shall willfully and unlawfully conceal, remove, mutilate, obliterate, falsify, destroy, or otherwise alienate, or attempt to conceal, remove, mutilate, obliterate, falsify, destroy, or otherwise alienate, any records made or received by any agency of the United States Government, including exhibits offered in evidence, shall, upon conviction thereof, be punished by a fine of not more than \$5,000 or by imprisonment for not more than 5 years or by both fine and imprisonment; and, if such person is an employee of the United States Government, shall moreover forfeit his office and be forever afterward disqualified from holding any office under the Government of the United States. U. S. C., Title 18, sec. 234.)

SEC. 5. It shall be the duty of the head of each agency to (a) acquaint all officials and employees under his jurisdiction with the provisions of section 4 of this Act, (b) to insure that all officials and employees turn over all records to their successors (U. S. C., Title 18, sec. 235), and (c) to establish such safeguards against removal or loss of Federal records as he shall determine necessary or as may be provided by regulations of the Federal Records Administration Council hereinafter provided.

SEC. 6. There is hereby created the Federal Records Administration, the Administrator to be appointed by the President of the United States by and with the advice and consent of the Senate.

SEC. 7. The Federal Records Administration shall establish and operate Federal records centers in Washington and in the field for the storage, servicing, security, and screening of all Federal records which must be preserved for a time but need not be retained in office equipment and space.

SEC. 8. The Federal Records Administration shall evolve and promote Government-wide improvements and economies in records management. These improvements and economies shall include: (a) standards and controls for record making and record keeping, selective records preservation, scheduled records disposal, and transfers to records centers; (b) discriminating application of tested methods, practices, materials, equipment, and machines to record making and record keeping; (c) authorization by law to inspect Federal records and to require reports as to their management; (d) training programs directed at improving the effectiveness and the technical knowledge of personnel assigned to record making and record keeping; (e) standards and controls for physical, legal, and security safeguards of all Federal records.

SEC. 9. The Federal Records Administration shall make special provisions for preserving, studying, and servicing Federal records having permanent value and historical interest by: (a) continuing

the National Archives as an integral and vital part of the Administration; (b) continuing to maintain for this purpose an adequate professional staff of trained archivists; (c) placing such records and the professional staff under the general direction of an outstanding archivist selected in accordance with Civil Service Regulations on the basis of his professional attainments in a highly specialized field.

SEC. 10. All records belonging to the Government of the United States (legislative, executive, judicial, and other) shall be under the charge and superintendence of the Federal Records Administrator to this extent: (a) he shall have full power to inspect personally or by deputy the records of any agency of the United States Government whatsoever and wheresoever located, and it shall be the duty of the head of each agency to grant the Administrator or his deputies ready access to any or all of its records for inspection purposes and to direct any and all persons in charge of such records to cooperate with the Administrator or his deputies in such inspection; (b) he shall have full power to requisition for transfer to the Federal Records Administration any records that fall within the classes of records defined by the Federal Records Administration Council as records to be transferred to the Federal Records Administration; (c) he shall have full power to make regulations for the custody, arrangement, description, use, and withdrawal of records transferred to the Federal Records Administration:

Provided: That the head of any agency may, at the time records are transferred to the Federal Records Administration, with the approval of the Administrator, impose such restrictions on the use of records transferred from the agency of which he is the head as he may deem wise.

SEC. 11. Records of any agency, except when specifically authorized by statute or Executive order or when required in the performance of a function that has been transferred by authority of a statute or Executive order, shall not be permanently transferred or loaned for indefinite periods to another agency unless approved by the Federal Records Administrator;

Provided: That nothing herein contained shall prevent the head of any agency from furnishing records in his custody for use as evidence in courts or for use by the Congress of the United States or from loaning records in his custody to another agency for a specified period in accordance with the regulations promulgated as provided in section 17 of this Act if, in his opinion, the loan of such records is necessary or desirable.

SEC. 12. It shall be the duty of the Federal Records Administrator personally or through his duly authorized representatives to advise and cooperate with the heads of agencies or their assistants designated to serve in a liaison capacity with the Federal Records Administration

and to make available to the agencies the knowledge and experience of the Federal Records Administration in records management.

SEC. 13. It shall be the duty of the Federal Records Administrator whenever he finds that any provisions of this Act have been or are being violated to submit in writing to the head of the agency concerned a report as to conditions found and recommendations as to corrective measures. Unless corrective measures satisfactory to the Federal Records Administrator are inaugurated within a reasonable time, the Administrator shall submit a written report thereon to the President and the Congress.

SEC. 14. Statutory provisions limiting or restricting the use of records of the United States Government shall not remain in force and effect after a period of fifty years has elapsed;

Provided: That thereafter the head of any agency having custody of such records may restrict and limit their use until such time as they have been in existence for a period of one hundred years by such regulations as, in his opinion, are desirable in the public interest or otherwise necessary, and

Provided further: That no restrictions or limitations may be imposed by any official of the United States Government on any records of the United States Government after they have been in existence for a period of one hundred years.

SEC. 15. Whenever any records, the use of which is subject to statutory limitations and restrictions, are transferred to the custody of the Federal Records Administrator, such permissive and restrictive statutory provisions theretofore applicable to the head of the agency having custody of such records and to employees thereof shall thereafter be applicable to the Federal Records Administrator and to the employees of the Federal Records Administration.

SEC. 16. Any official of the United States Government who is authorized to certify to facts on the basis of records in his custody is hereby authorized to certify to such facts on the basis of records that have been transferred by him or his predecessors to the custody of the Federal Records Administrator.

SEC. 17. A Federal Records Administration Council is hereby established superseding The National Archives Council (58 Stat. 1122 and 60 Stat. 812) and comprising the same membership as The National Archives Council with the addition of the Federal Records Administrator. The Council shall be responsible for (a) formulating regulations governing record making, record keeping, and records disposal, (b) the classes of records to be transferred to the Federal Records Administration, and (c) the use of records so transferred by public officials, scholars, and the people, (d) the loan or transfer of records from one agency to another, (e) standards governing the reproduction of records by photographic (or microphotographic) processes for the

purpose of disposing of the original records, provided that technical standards of film base, emulsion and processing, and similar technical matters shall be determined in cooperation with the Bureau of Standards.

SEC. 18. That each agency of the Federal Government shall appoint or designate a qualified records management officer to plan, develop, and organize a records management program for the agency for the purpose of effecting maximum improvements and economies in the agency's record-making, record-keeping, and selective records preservation; to cooperate with the Federal Records Administration, to use its services and facilities; and to insure conformance within the agency to the provisions of this Act and regulations of the Federal Records Administration Council.

SEC. 19. No records of the United States Government shall be destroyed or otherwise disposed of except in accordance with the regulations of the Federal Records Administration Council and with the approval of the Federal Records Administration and the Congress.

SEC. 20. Requests for authorization to destroy or otherwise dispose of records shall be submitted to the Federal Records Administrator in accordance with regulations of the Federal Records Administration Council. The Federal Records Administrator if he has no objections to the proposed records disposal shall so report to the Congress within thirty days after receipt of the request, provided the Congress is in session.

SEC. 21. It shall be the duty of the presiding officer of the Senate to appoint two Senators who with the two representatives appointed by the Speaker of the House of Representatives shall constitute a joint committee which shall examine all requests for authorization to destroy or otherwise dispose of records.

SEC. 22. A request from an agency to the Federal Records Administration for authorization to destroy or otherwise dispose of federal records shall be considered approved by the Federal Records Administration and the Congress after the lapse of forty-five days provided that the Congress is in session through the last fifteen days of the period, and provided further that neither the Federal Records Administrator nor the Congress direct that the proposed disposal or a part thereof is disallowed or that it be delayed pending further study. It shall be the duty of the Federal Records Administrator to forward such requests to the Congress within thirty days unless he recommends direct to the agency against the proposed records disposal or requests additional time to study a request.

SEC. 23. Whenever it shall appear to the Federal Records Administrator that any agency has in its custody, or is accumulating, records of the same form or character as any records of the same agency previously authorized by Congress to be disposed of, he may empower

the head of such agency to dispose of such records, after they have been in existence a specified period of time or after they have been photographed.

SEC. 24. Records pertaining to claims and demands by the Government of the United States or against it, or to any accounts in which the Government of the United States is concerned, either as debtor, or creditor, which are required to be audited by the General Accounting Office, shall not be disposed of by the head of any agency under any authorizations granted pursuant to the provisions of this Act, until such claims, demands, and accounts have been settled and adjusted in the General Accounting Office except upon the written approval of the Comptroller General of the United States.

SEC. 25. Whenever the Federal Records Administrator and the head of any agency shall jointly determine that any of the records in the custody of that agency are a continuing menace to human health or life or to property, the Federal Records Administrator shall cause such menace to be eliminated immediately by whatever method he may deem necessary. If any records in the custody of the Federal Records Administrator are disposed of under this section, the Federal Records Administrator shall report the disposal thereof to the agency from which they were transferred.

SEC. 26. The Federal Records Administrator shall transmit to Congress at the beginning of each regular session reports as to the records authorized for disposal under the provisions of section 25 of this Act.

SEC. 27. Photographs (or microphotographs) of any records made in compliance with regulations promulgated as provided in this Act shall have the same force and effect as the originals thereof would have and shall be treated as originals for the purpose of their admissibility in evidence. Duly certified or authenticated reproductions of such photographs or microphotographs shall be admitted in evidence equally with the original photographs or microphotographs.

SEC. 28. All moneys derived by any agency from the sale of records authorized for disposal under the provisions of this Act shall be paid into the Treasury of the United States unless otherwise required by existing law applicable to the agency.

SEC. 29. The procedures prescribed in this Act are exclusive and no records of the United States Government shall be alienated or destroyed except in accordance with the provisions of this Act.

SEC. 30. It shall be the duty of the Federal Records Administrator to notify the Attorney General of any loss, threatened or actual, by unlawful removal or destruction of Federal records that shall come to his attention. It also shall be the duty of the Federal Records Administrator to initiate through the Attorney General the recovery of Federal records which he finds to have been or believes to have been unlawfully removed from official custody.

SEC. 31. The duties imposed upon and the authority vested in the Federal Records Administrator by the provisions of this Act shall be performed and exercised in his absence or incapacity by an official of the Federal Records Administration designated by him to serve as Acting Federal Records Administrator during his absence or incapacity.

SEC. 32. Recent legislation HR 6293, Report No. 1938, 80th Congress, 2d Session, established a trust fund for receipts from photographic services rendered by The National Archives. The Federal Records Administration is hereby authorized to continue this service in accordance with the terms of HR 6293, Report No. 1938, 80th Congress, 2d Session.

SEC. 33. The National Archives Trust Fund Board (U. S. C. 300aa-300jj), the National Historical Publication Commission (48 Stat. 1122-1124), and the Franklin D. Roosevelt Library (53 Stat. 1062) shall be continued as a part of the National Archives within the Federal Records Administration. The Federal Register (44 U. S. C. 301-314) shall be continued as a unit of the Federal Records Administration.

SEC. 34. All Acts or parts of Acts inconsistent with this Act are hereby repealed.

## **APPENDIX B**

### **Related Legislation**

1. The National Archives Act (44 U. S. C. 301-314) as amended (44 U. S. C. 300-300k).
2. The Federal Register Act (44 U. S. C. 301-314).
3. Resolutions establishing the Franklin D. Roosevelt Library (53 Stat. 1062).
4. The National Archives Trust Fund Board (44 U. S. C. 300aa-300jj).
5. Act Governing Disposal of Records, as amended (44 U. S. C. 366-380).
6. Administrative Procedure Act (60 Stat. 237) sec. 3 and sec. 4.
7. Records of Congress (60 Stat. 833).
8. Provisions Against Loss of Records (18 U. S. C. 234-235).
9. Trust Fund for Receipts from Photographic Services (H. R. 6293, Report No. 1938, 80th Cong., 2d sess.).

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